

Annual Transmission Revenue Requirement & Transmission Facilities Charge

LES Administrative Board
November 16, 2018

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What is the Annual Transmission Revenue Requirement (ATRR)?

- LES joined the Southwest Power Pool (SPP) in 2009 and when doing so it:
 - Chose to allow SPP to have “functional control” of LES transmission assets. LES still “owns” its transmission assets.
 - Gave up its right to sell transmission service with the exception of agreements that were in place prior to joining SPP.
- LES, as a Transmission Owner in SPP, is able to recover costs related to owned transmission (from LES customers and any others in its SPP Zone).
- The ATRR is a “forward-looking” formula template related to transmission costs that is approved by FERC and can only be changed with approval of FERC. The template is unique for each utility.
 - The calculation uses direct costs and allocation factors to estimate the all-in cost of LES’s transmission system.
 - The ATRR is calculated annually by LES using the approved template.
- SPP uses the ATRRs from member utilities in the development of SPP transmission rates.
- LES uses the ATRR as a guide in developing the Transmission Facilities charge for UNL and Health & Human Services (HHS) for use of the LES transmission system.

What is the annual ATRR process?

Step 1. Compile the all-in forecasted costs for the transmission system for the following year. (Budget amounts)

Step 2. Estimate the SPP non-network transmission revenue that will be received for the following year.

Step 3. Amount from Step 1 minus amount from Step 2 is the Annual Transmission Revenue Requirement (ATRR).

Step 4. ATRR is then divided by the forecasted kW of transmission to arrive at a \$/kW ATRR rate.

Step 5. A link to the template, which provides the detail of the calculations, is placed on les.com for public review and comment. Customers are able to provide feedback at November board meeting.

Step 6. The ATRR is submitted to SPP and becomes effective January 1 of each year and then is “trued-up” with actuals in May of the following year.



What does the ATTR template look like?

Rate Formula Template
Using 2019 Projected and Financial Operating Data for Southwest Power Pool Rates
For Rates Effective January 1, 2019
LINCOLN ELECTRIC SYSTEM
Page 1 of 4
Formula Rate - Cash Flow
For the 12 months ending 12/31/2019

Line No.	Acct	Description	Reference/Note	Total	Allocator	(5) (3) x (4) Allocated to Transmission
A. Zonal Net Annual Transmission Revenue Requirement (ATTR)						
1		Gross Annual Transmission Revenue Requirement	Page 2, Line 25, Col 5			\$ 32,945,262
Revenue Credits						
2	456	Less: Revenue from SPP for and Other Short-term Point-to-Point Service	Note A, Worksheet A	\$ 1,905,470	GTP	0.82093 \$ 1,564,249
3	454	Less: Transmission Related Plans	Note B, Worksheet B	\$ 703,488	GTP	0.82093 \$ 577,511
4		Less: Revenues from service provided by the ISO at a discount	Worksheet B	\$ -	GTP	0.82093 \$ -
5		TOTAL TRANSMISSION SERVICE CREDITS	Sum Lines 2 to 4			\$ 2,141,760
True-Up Adjustment						
6a		Prior Year Actual Net ATRR	Worksheet C	\$ 25,306,068		
6b		Prior Year Projected Net ATRR	Worksheet C	\$ 22,881,549		
6c		Prior Year ATRR True-Up	Worksheet C			\$ 2,424,519
6d		Prior Year Divisor True-Up	Note C, Worksheet C			\$ (2,086,180)
6e		Interest on Prior Year True-Up	Worksheet C			\$ 7,082
6f		Total True-Up Amount	Sum Lines 6c to 6e			\$ 345,401
7		ZONAL NET TRANSMISSION REVENUE REQUIREMENT WITH TRUE-UP ADJUSTMENT	Line 1 - Line 5 + Line 6f			\$ 31,148,903
Transmission Project Revenue Offset Under Schedule 11						
8		Total Schedule 11 Revenue Offset	Worksheets J1 & J2			\$ 785,592
9		ZONAL NET ATRR FOR SPP OPEN ACCESS TRANSMISSION TARIFF - Attachment H	Line 7 minus Line 8			\$ 30,363,311
B. Point-to-Point Transmission Service Rates						
DIVISOR (MW)						
10		Projected 12 CP for requirements (RO) service	Note G1, Worksheet G	\$ 584,151	MW	
11		Plus 12 CP of firm bundled sales over one year not in line 11	Note G2, Worksheet G	\$ 0.000	MW	
12		Plus 12 CP of Network Load not in line 11	Note G3, Worksheet G	\$ 0.000	MW	
13		Less 12 CP of firm P-T-P over one year	Note G4, Worksheet G	\$ 0.000	MW	
14		Plus Contract Demand of firm P-T-P over one year	Worksheet G	\$ 0.000	MW	
15		Less Contract Demand from Grandfathered Interzonal transactions over one year	Note G5, Worksheet G	\$ 0.000	MW	
16		Less 12 CP of Contract Demands from service over one year provided by ISO at a discount	Worksheet G	\$ 0.000	MW	
17		Total Demand	Sum Lines 10 to 16			\$ 584,151
Rates for Point-to-Point Service						
18		Point-to-Point Firm & Non-Firm (\$/MW/Year)	Line 9 / Line 17	\$ 51,978.52		
19		Point-to-Point Firm & Non-Firm (\$/MW/Month)	Line 18 / 12 months	\$ 4,331.54		
20		Point-to-Point Firm & Non-Firm (\$/MW/Week)	Line 18 / 52 weeks	\$ 999.59		
21		Point-to-Point Firm (\$/MW/Day) On Peak	Line 20 / 5 days	\$ 199.92		
22		Point-to-Point Firm (\$/MW/Day) Off Peak	Line 20 / 7 days	\$ 142.80		
23		Non-firm Point-to-Point (\$/MW/Day) On Peak	Line 20 / 5 days	\$ 199.92		
24		Non-firm Point-to-Point (\$/MW/Day) Off Peak	Line 20 / 7 days	\$ 142.80		
25		Non-firm Point-to-Point (\$/MW/Hour) On Peak	Line 23 / 16 hours	\$ 12.495		
26		Non-firm Point-to-Point (\$/MW/Hour) Off Peak	Line 24 / 24 hours	\$ 5.950		
FERC Annual Charge (\$/MW)						
27		Short Term	Note D	\$ -		
28		Long Term		\$ -		
C. Scheduling, System Control and Dispatch Service Annual Revenue Requirement						
29		Scheduling, System Control and Dispatch Service Costs	Note F, Worksheet F	\$ 730,095		
30		Divisor (MW)	Line 17	584.15		
Rates for Ancillary Service 1: Scheduling, System Control and Dispatch Service						
31		AS1 (\$ / MW-Year)	Line 29 / Line 30	\$ 1,249.84		
32		AS1 (\$ / MW-Month)	Line 31 / 12	\$ 104.15		

The proposed ATRR rate for 2019 is **\$4.33/kW**

Rate Formula Template
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For Rates Effective January 1, 2019
LINCOLN ELECTRIC SYSTEM
Page 2 of 4
Formula Rate - Cash Flow
For the 12 months ending 12/31/2019

Line No.	Acct	Description	Reference/Note	Total	Allocator	(5) (3) x (4) Allocated to Transmission
Gross Annual Transmission Revenue Requirement (ATTR)						
Operating & Maintenance (O&M)						
1	560-574	Transmission		\$ 20,483,296	TE	0.79166 \$ 16,215,907
2	565	Less: Transmission of Electricity by Others	Note W, Worksheet H	\$ 5,817,674		1.00000 \$ 5,817,674
2a	561	Less: Load Dispatching	Worksheet F	\$ 730,095		1.00000 \$ 730,095
2b		TOTAL O&M		\$ 13,935,527		\$ 9,668,138
Administrative & General (A&G)						
3	920-932	A&G		\$ 18,982,454	W/S	0.09772 \$ 1,854,931
4		Less FERC Annual Fees in Acct 928		\$ -	W/S	0.09772 \$ -
5	923	Less EPRI & Reg. Comm. Exp. & Non-safety Ad	Note I	\$ 683,356	W/S	0.09772 \$ 66,776
5a		Plus Transmission Related Reg. Comm. Exp.	Note I	\$ -	TE	0.79166 \$ -
6		Common		\$ -	CE	0.09772 \$ -
7		Transmission Lease Payments		\$ -		1.00000 \$ -
8		TOTAL O&M + A&G	Sum Lines 2b, 3, 5a, 6, 7 minus Lines 4 & 5	\$ 32,234,625		\$ 11,456,292
Debt Service						
9	427	Debt Service		\$ 53,481,895	NP	0.18527 \$ 9,908,679
10	428	Amortization of premium or discount		\$ (6,762,561)	NP	0.18527 \$ (1,252,911)
12		TOTAL DEBT SERVICE	Sum Lines 9 & 10	\$ 46,719,334		\$ 8,655,768
Taxes Other Than Income Taxes						
Labor Related						
13	926	Payroll		\$ 3,338,462	W/S	0.09772 \$ 326,228
14	185	Highway and vehicle		\$ -	W/S	0.09772 \$ -
Plant Related						
16	505	Property		\$ 539,000	GP	0.15172 \$ 81,775
17		Gross Receipts		\$ -		0.00000 \$ -
18		Other		\$ 7,638,533	GP	0.15172 \$ 1,158,892
19	408	Payments in lieu of taxes		\$ 13,072,334	GP	0.15172 \$ 1,983,290
20		TOTAL TAXES	Sum Lines 13 to 19	\$ 24,588,328		\$ 3,550,186
21		SUBTOTAL	Sum Lines 8, 12, & 20			\$ 23,662,246
22		MARGIN REQUIREMENT	Note M	\$ 58,601,578	GP	0.15172 \$ 8,890,833
23		RTO Incentive Adder (Order Nos. 679 & 679-A)	Note K, Worksheet K	\$ 392,183		1.00000 \$ 392,183
Additional Margin on Incentive Plant						
24		Transmission Upgrade Projects	Note J, Worksheet J	\$ -		1.00000 \$ -
25		GROSS REVENUE REQUIREMENT w/o INCENTIVE PLANT	Sum Lines 21, 22 & 23			\$ 32,945,262
26		GROSS REVENUE REQUIREMENT w INCENTIVE PLANT	Sum Lines 24 & 25			\$ 32,945,262

Plus 16 supporting worksheets

How is the ATRR used?

SPP

- SPP uses the ATRRs from all member utilities in the calculation of total SPP foot-print transmission costs.

LES

- LES uses the ATRR as a guide for developing the Transmission Facilities charge for UNL and Health & Human Services (HHS).
- Since UNL and HHS are impacted by the ATRR calculation (through their Transmission Facilities charge) they are directly invited to come speak at the November board meeting regarding any questions/concerns they have with the charge.

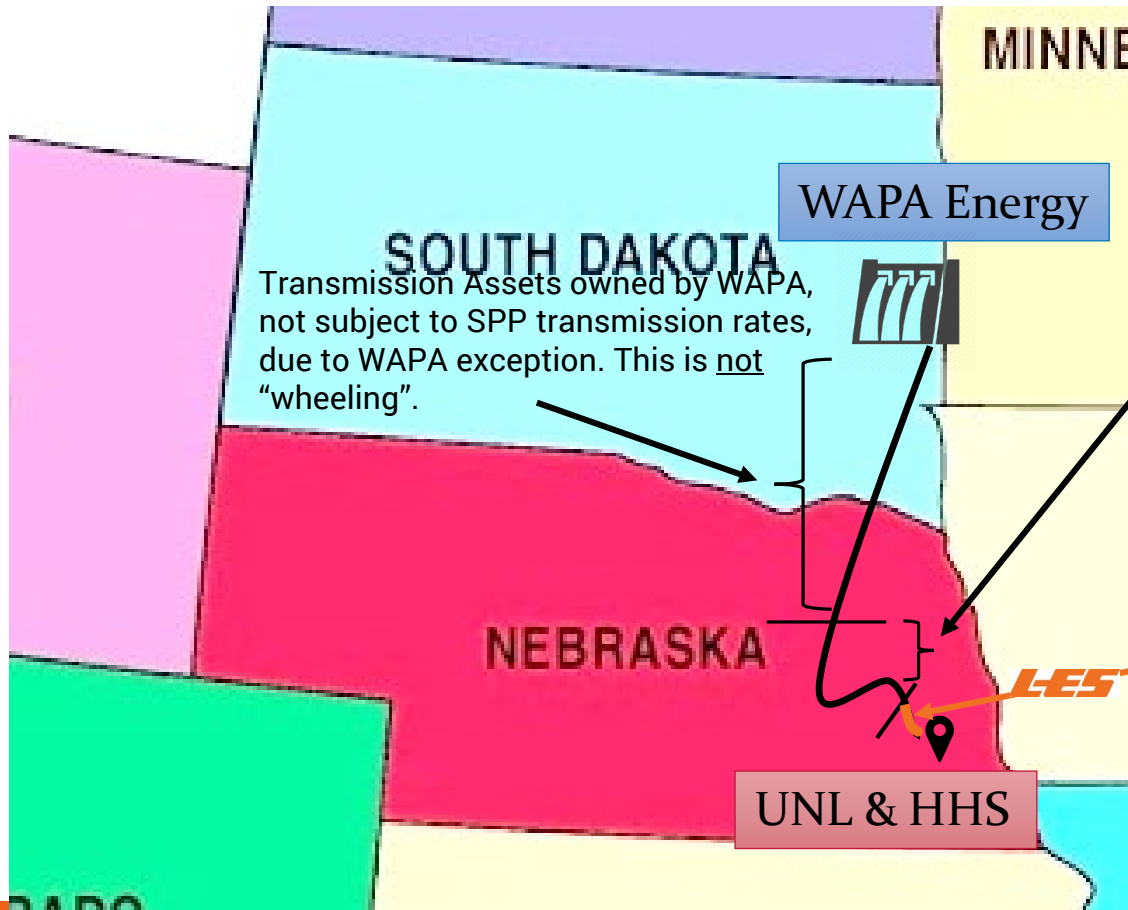
What is LES's Transmission Facilities charge?

The 2019 Transmission Facilities Charge is proposed at **\$3.25/kW**.
This amount is not changed from 2018.

- Although LES is not able to sell transmission service, it is able to recover costs for the use of its transmission facilities by UNL and HHS.
 - LES incurs transmission and other SPP costs because it treats UNL and HHS WAPA load as though it is LES load for purposes of SPP.
- LES determines the Transmission Facilities charge for its “internal” customers, UNL and HHS, using the ATRR as a guide. LES’s historical practice has been to use the ATRR rate as a benchmark of cost incurred by LES for delivery of WAPA energy.
- LES has discretion in setting its Transmission Facilities charge for “internal customers” and thus the rate can, and is likely to, vary from the ATRR.
 - Similar to retail rate design, mitigation of significant rate swings is considered when establishing the Transmission Facilities charge.
 - An alternate way to determine the rate involves studying the actual incremental SPP costs LES incurs from assuming UNL and HHS’s WAPA load as its own. This study is planned for 2019.

An illustration . . .not reflective of actual transmission lines

“Wheeling” is the transportation of energy from one utility’s service territory to another utility’s service territory, using assets not owned by the originator or the recipient of the energy.



Transmission Assets owned by WAPA, not subject to SPP transmission rates, due to WAPA exception. This is not “wheeling”.

WAPA Energy

Transmission Assets owned by NPPD, not subject to SPP transmission rates since agreement was in place prior to joining SPP. UNL & HHS are charged for the “wheeling” of WAPA power over NPPD’s facilities.

LES recovers the cost of UNL & HHS’s use of its transmission system through a Transmission Facilities charge. This is not “wheeling”, since UNL and HHS’s load is considered as though it is LES load for SPP purposes.

Upcoming ATRR and Transmission Facilities charge items

- Inform SPP of any changes to the 2019 ATRR amounts as a result of customer feedback.
 - If none, ATRR will become effective January 1, 2019
- Add the Transmission Facilities charge rate schedule to the formal LES Rate Schedules document – available at les.com.
 - Previously the rate was not publicly available and was only an attachment to agreements with UNL and HHS.
- Determine if an approval process should be implemented for the Transmission Facilities rate.
 - Was previously viewed as part of a contract.
- Periodically review the ATRR Formula Template.
 - Determine if changes are necessary.
 - If appropriate, file a new ATRR Template with FERC.
 - Implement ATRR changes if approved by FERC.

Questions?