



Silver Run Electric, LLC

2023 Annual Projection Stakeholder Meeting

November 11, 2022

Outline

- Introductions
- Background
 - Company and Project
 - Formula Rate
- Annual Projection for 2023 Rate Year
 - 2023 Projection
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Background

Company, Project, and Formula Rate

Background – General

Overview of the Company and the Project

- Silver Run Electric, LLC (Silver Run) is a transmission-only company established to develop, own, and operate transmission facilities in the PJM region.
- Silver Run owns components of the Artificial Island Project including the Silver Run Substation that commenced operation in April 2020 and a 230 kV transmission line between the Silver Run Substation and the Hope Creek substation in New Jersey that commenced operation in May 2020.
- The Artificial Island Project is subject to certain rate commitments including a cost cap.
- More information is available at silverrunelectric.com.

Background – Regulatory

Selected Regulatory Filings and Orders

- December 2, 2015 – Silver Run files transmission owner tariff and proposed transmission formula rate template in No. ER16-453
 - April 26, 2016 – Certain aspects of the formula rate filing were set for settlement and hearing procedures
 - September 7, 2016 – Parties reach settlement agreement
 - November 17, 2016 – Commission approves settlement agreement
- April 26, 2016 – FERC approves certain transmission rate incentives requested in same Docket No. ER16-453
 - Regulatory asset incentive and accrual of carrying charges
 - 100% recovery of prudently-incurred costs associated with abandonment of the Project
 - 50 bps RTO participation adder (on top of stated base ROE of 9.85% from later settlement agreement)
 - Hypothetical capital structure (50% debt/50% equity) until the Project achieves commercial operation, then 54.75% equity cap
- May 12, 2020 – FERC accepts corrections to the formula rate filed March 25, 2020, in Docket No. ER20-1387
- August 3, 2022 – FERC accepts Silver Run formula rate revisions originally submitted April 16, 2020, and amended April 8, 2022, to comply with FERC Order No. 864 (ADIT) in Docket No. ER20-1633.

Background – Cost Commitments

Key Provisions

Silver Run made certain cost commitments for the Artificial Island Project

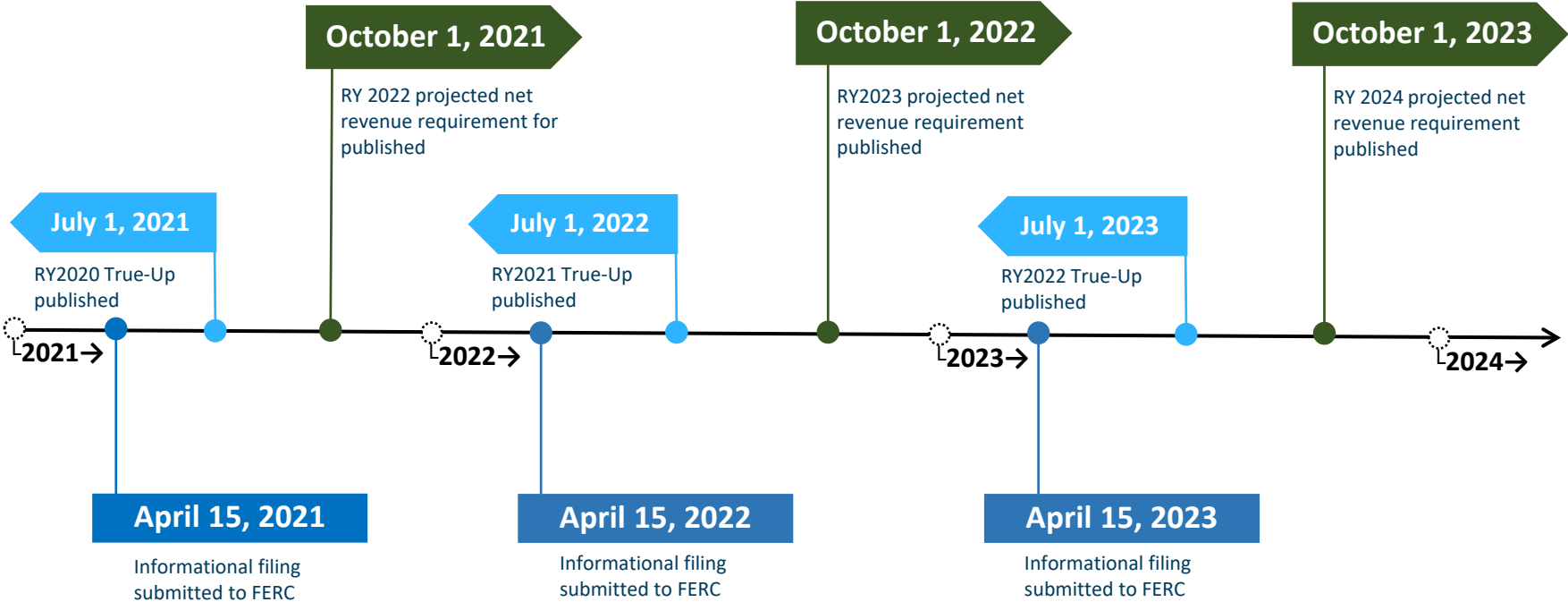
- **Cost Cap**¹ – Silver Run’s Project costs may not exceed the binding cost cap of \$166.3 million, subject to certain exclusions.
- **Equity Cap**² – The Project is subject to an equity percentage cap of 54.75%.

¹ As defined in and subject to the terms of the Designated Entity Agreement between Silver Run and PJM.

² Subject to terms of the settlement agreement in Docket No. ER16-453

Formula Rate Timeline

General Update Process



Formula Rate Timeline

Selected 2022 milestones

- April 14 – Informational filing submitted to FERC in Docket No. ER22-1650
- April 15 – 2022 FERC Form No. 1 submitted to FERC¹
- July 1 – 2021 Annual Update (True-up) published
- August 4 – 2021 Annual Update (True-up) meeting
- September 30 – Publication of 2023 Projection
- November 11 – Stakeholder meeting for 2023 Projection
- December 1 – Last day to incorporate corrections into 2023 Projection
- January 1, 2023 – Scheduled end of information request period

¹ Silver Run's 2021 FERC Form No. 1 was resubmitted on June 2, 2022, to correct a value on page 219 inadvertently entered on the wrong line.

Annual Projection

2023 Rate Year

Projected Revenue Requirement Summary

2023 Annual Revenue Requirement Projection

Appendix H-27A	Original September 30, 2022	Revised To be published by December 1
13-Month Average Rate Base	\$ 143,861,817	\$ 146,463,161 ¹
Rate of Return ²	6.72%	6.72%
Return on Rate Base	9,665,540	9,840,315
Incentive Return	546,550	556,433
Income Taxes	3,085,017	3,139,422
Total Return & Taxes	13,297,107	13,536,169
Operating Expenses:		
O&M and A&G Expenses	7,527,621	7,527,621
Depreciation Expenses	3,522,028	3,591,306
Non-income taxes	1,097,369	1,097,369
Total Operating Expenses	12,147,018	12,216,296
Gross Revenue Requirement	25,444,125	25,752,465
Less: Revenue Credits	259,910	259,910
Plus: True-up Adjustment with Interest ³	368,762	368,762
Net Revenue Requirement	\$ 25,552,977	\$ 25,861,317

¹ Changes to the expected timing of fixed asset additions result in changes to values including plant balances and depreciation expenses.

² Refer to slide 11 for Weighted Average Cost of Capital (WACC) calculation

³ Refer to Slide 10, True-Up Adjustment

True-up Adjustment

Error and correction

Accounting records for Account 456.1 are the source for revenue received. Workpaper No. 5 should have removed the revenue credit value of \$259,910 (also included in Account 456.1) because it is already treated separately on Attachment H-27A, page 1, Line 3.

New adjustment on Workpaper No. 5 removes \$259,910 from revenue received to avoid double counting. This value now corresponds to the 2021 Projection. There is no change to calculation of 2021 actual net revenue requirement.

True-Up Adjustment (including interest) ¹	Original July 1, 2022	Corrected September 30, 2022
Actual 2021 Net Annual Revenue Requirement (Att. H-27A, Page 1, Line 9)	\$ 23,967,118	\$ 23,967,118
Account 456.1 Revenue Received During 2021 (Att. 3, Line 2; itemized on Workpaper No. 5)	\$ 23,882,153	\$ 23,622,243
Under/(Over) Recovery of Revenue Requirement	\$ 84,965	\$ 344,875
Monthly Interest Rate	0.271%	0.271%
Interest For 24 Months	\$ 5,885	\$ 23,888
Total Under/(Over) Recovery Including Interest	\$ 90,850	\$ 368,762

Revised adjustment incorporated into 2023 Projection

¹Refer to Attachment 3 (Formula Rate True-up), Attachment 6 (Interest on True-up), and Workpaper No. 5 (Attachment 6 Support) in the published materials for more detail.

Weighted Average Cost of Capital

WACC Calculation for 2023 Projection

WACC Element	Weight	Cost	Weighted Cost	
Long Term Debt	45.25%	2.93%	1.33%	
Preferred Stock	-	-	-	
Common Stock	54.75%	9.85%	5.39%	
Total			6.72%	= Return

Refer to Attachment 5 (Return on Rate Base worksheet) in the published 2023 Annual Projection for more detail.

Discussion

Formula rate materials are posted online:

silverrunelectric.com/documents

Direct inquiries, information requests, and challenges to:

SilverRunRates@silverrunelectric.com

Disclaimer

Notwithstanding requirements and terms defined in Silver Run Electric, LLC's (Silver Run) formula rate implementation protocols and terms commonly used in FERC ratemaking (e.g., 'projected', 'projection'), this document and any related discussions may contain certain statements that describe Silver Run management's beliefs concerning future financial performance, future business conditions and prospects, growth opportunities and the outlook for the electric transmission industry based upon information currently available. Such statements are "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts, and are often identified by words such as "anticipates", "believes", "intends", "estimates", "expects", "projects", "projected", "shall", "will", "should", "could", "may" and similar phrases. Such forward-looking statements are based upon assumptions management believes are reasonable. Such forward-looking statements are subject to important risks, uncertainties and other factors which could cause actual results, performance and achievements to differ materially from those expressed in, or implied by, these statements. These important risks, uncertainties and other factors include: future economic conditions in regional, national and international markets and their effects on prices, costs and availability of required goods and services; market perception of the energy industry and Silver Run; changes in business strategy, operations or development plans; the outcome of contract negotiations for goods and services; effects of current or proposed state and federal legislative and regulatory actions or developments, including deregulation, re-regulation and restructuring of the electric utility industry; decisions of regulators regarding rates that Silver Run may charge; adverse changes in applicable laws, regulations, rules, principles or practices governing tax, accounting and environmental matters; financial market conditions and performance, including changes in interest rates and credit spreads and in availability and cost of capital; impairments of long-lived assets or goodwill; credit ratings; inflation rates; effectiveness of risk management policies and procedures and the ability of counterparties to satisfy their contractual commitments; impact of terrorist acts, including cyber terrorism; and weather conditions, including weather-related damage. Given these uncertainties, you should not rely on forward-looking information.