



Republic Transmission, LLC

2023 True-up Stakeholder Meeting

August 13, 2024

Outline

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 - 2023 True-up vs. 2022 True-up
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Background

Company, Project, and Formula Rate

Background – General

Overview of the Company and the Project

- Republic Transmission, LLC (“Republic”) is a transmission-only company with a mission to ensure reliable and cost-effective electric transmission in the MISO region. Republic is indirectly owned by LS Power and Hoosier Energy.
- Republic was selected in 2016 through a competitive solicitation to develop the 345kV Duff to Coleman Project, a ~30 mile, single-circuit, 345 kV transmission line from the Duff substation in southern Indiana to the Coleman EHV substation in Kentucky.
 - The Project is subject to certain rate commitments pursuant to the Selected Developer Agreement (SDA) between Republic and MISO.
 - On June 11, 2020, the Project was placed in service and Big Rivers Electric Corporation took ownership of the Kentucky portion of the Project.
- More information is available at republictransmission.com

Background – Regulatory

Selected Regulatory Filings and Orders

- October 6, 2017 – FERC approves certain transmission rate incentives requested by Republic in Docket No. ER17-52:
 1. Regulatory asset incentive and accrual of carrying charges;
 2. 100% recovery of prudently-incurred costs associated with abandonment of the Project;
 3. 50 bps RTO participation adder (subject to 9.8% maximum ROE); and
 4. Hypothetical capital structure of 55% debt and 45% equity until in service, then equity the lesser of actual or 45%.
- December 19, 2018 – Republic files a transmission owner tariff and proposed company-specific transmission formula rate in Docket No. ER19-605
- June 11, 2019 – FERC accepts Republic’s formula rate filing in Docket No. ER19-605.
- March 22, 2022 – FERC accepts formula revisions submitted April 16, 2020, and amended December 16, 2021, to comply with FERC Order No. 864 (ADIT) in Docket No. ER20-1581.

Background – Cost Commitments

Key Provisions

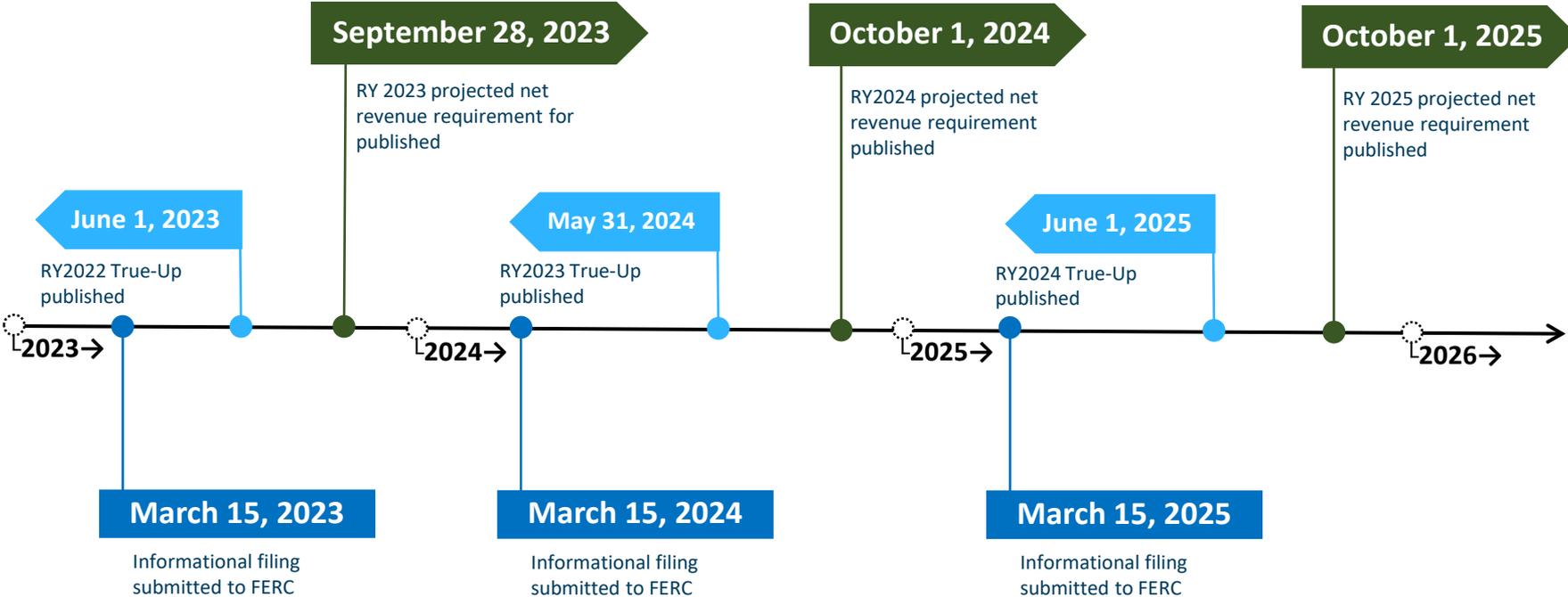
Republic made certain cost commitments for the Duff to Coleman Project

- **Cost Cap**¹ – Project Costs may not exceed the binding cost cap of \$58.1M, subject to certain exclusions.
- **ROE Cap**¹ – Republic is subject to a return on equity (ROE) cap on the initial investment in the Project stating that ROE shall be the lesser of
 - (i) 9.80% (inclusive of all ROE adders), or
 - (ii) the MISO region-wide base ROE plus the RTO adder (currently 10.30%).
- **Equity Cap**¹ – Republic is subject to an Equity Percentage Cap of 45% for the Project.

¹ As defined in and subject to the terms of the Selected Developer Agreement between Republic and MISO. Refer to Attachment A included in the 2023 True-up package for additional details.

Formula Rate Timeline

General Update Process



Formula Rate Timeline

Selected 2024 milestones

- March 15 – Informational filing submitted to FERC (Docket No. ER24-1557)
- April 15 – 2023 FERC Form No. 1 submitted to FERC
- May 31– 2023 True-up published
- August 13 – Annual True-up meeting (by September 1)
- October 1 – Publication of 2025 Projection
- TBA – Stakeholder meeting for 2025 Projection (by November 15)
- December 1 – Last day to incorporate adjustments into 2025 Projection
- January 31, 2025 – Scheduled end of information request period

True-up

2023 Rate Year

2023 True-up vs. 2022 True-up

Comparison of Revenue Requirement Components

Attachment O Item	2023 True-up	2022 True-up	Difference (2023 True-up minus 2022 True-up)	Notes
Average Rate Base	\$46,463,126	\$48,181,772	(\$1,718,646) -3.6%	Accumulated depreciation partially offset by general and intangible plant additions
Rate of Return ¹	6.04%	5.96%	+8 bps	Change in long term debt (LTD) component due to one-time change in interest rate index
Return on Rate Base	\$2,805,072	\$2,872,464	(\$67,392) -2.3%	Lower average rate base partially offset by higher RoR
Income Taxes	\$554,876	\$574,166	(\$19,290) -3.4%	Projected equity AFUDC depreciation and equity carrying charges differed from actual
Total Return & Income Taxes	\$3,359,948	\$ 3,446,630	(\$86,682) -2.5%	Lower state tax rate (see tax note above) and RoR
Operating Expenses:				
O&M and A&G Expenses	\$1,355,648	\$1,160,851	\$194,797 +16.8%	Increase in regulatory and transmission expansion development costs
Depreciation Expenses	\$1,160,263	\$1,157,799	\$2,464 +0.2%	Increased amortization of added software
Non-income taxes	\$556,042	\$646,710	(\$90,668) -14%	Decrease in property tax rate
Total Operating Expenses	\$3,071,953	\$2,965,360	\$106,693 +3.6%	Higher O&M and depreciation expense partially offset by lower non-income taxes
Gross Revenue Requirement	\$6,431,900	\$ 6,411,990	\$19,910 +0.3%	Higher operating expenses partially offset by lower return and income taxes
Less: Revenue Credits	0	0	-	
Less: Attachment GG ²	\$6,431,900	\$6,411,990	\$19,910 +0.3%	Recovered through MISO Attachment GG
Net Revenue Requirement²	0	0	-	Gross revenue requirement with no revenue credits

¹ Weighted Average Cost of Capital (WACC) calculation for true-up provided in separate slide.

² For the 2023 rate year, Republic's entire revenue requirement (calculated under Attachment O) is recovered through MISO's Attachment GG.

True-up Adjustment

True-up adjustment and interest calculation

True-Up Adjustment (including interest) ¹	2023 True-up Published May 31	2023 True-up Updated interest ²
Actual Annual 2023 Revenue Received	\$6,713,653	\$6,713,653
Actual Annual 2023 Revenue Requirement	\$6,560,209	\$6,560,209
Under/(Over) Recovery of Revenue Requirement	\$(153,444)	\$(153,444)
Average Monthly Interest Rate	0.6635%	0.6635%
Interest For 24 Months	\$(26,222)	\$(26,222)
Total Under/(Over) Recovery Including Interest	\$(179,665)	\$(179,665)

True-up Adjustment to be incorporated into Attachment GG (Page 3, Column 11) for the 2025 Projection²

¹Refer to True-up and Interest work paper in the published 2023 True-up for more detail.

²Interest rate applied to under/(over) recovery amounts averages rates for twenty four (24) months. Final adjustment revised based on updated interest rate values for July and August published by FERC:

[ferc.gov/interest-calculation-rates-and-methodology](https://www.ferc.gov/interest-calculation-rates-and-methodology)

Appendix – WACC

Weighted Average Cost of Capital Calculation for 2023 True-up

WACC Element	Weight	Cost	Weighted	
Long Term Debt	55%	2.96%	1.63%	
Preferred Stock	-	-	-	
Common Stock	45%	9.80%	4.41%	
Total			6.04%	= Return

Refer to Workpaper No. 5 in the published 2023 True-up for more detail.

Discussion

Formula rate materials are posted online:

republictransmission.com/documents

misoenergy.org/markets-and-operations/settlements/to-rate-data/republic-transmission-llc

Direct inquiries, information requests, and challenges to:

Rates@republictransmission.com

Disclaimer

Notwithstanding requirements and terms defined in Republic Transmission, LLC's (Republic) 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 Republic 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 Republic; 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 Republic 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.