



# Republic Transmission, LLC

2025 Projection Stakeholder Meeting

November 14, 2024

# Outline

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- Background
  - Company and Project
  - Formula Rate
- Projection for 20245 Rate Year
  - Annual Projection
  - True-up Adjustment
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- Discussion

# Background

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Company, Project, and Formula Rate

# Background – General

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## 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 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](https://republictransmission.com)

# Background – Regulatory

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## 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

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## Key Provisions

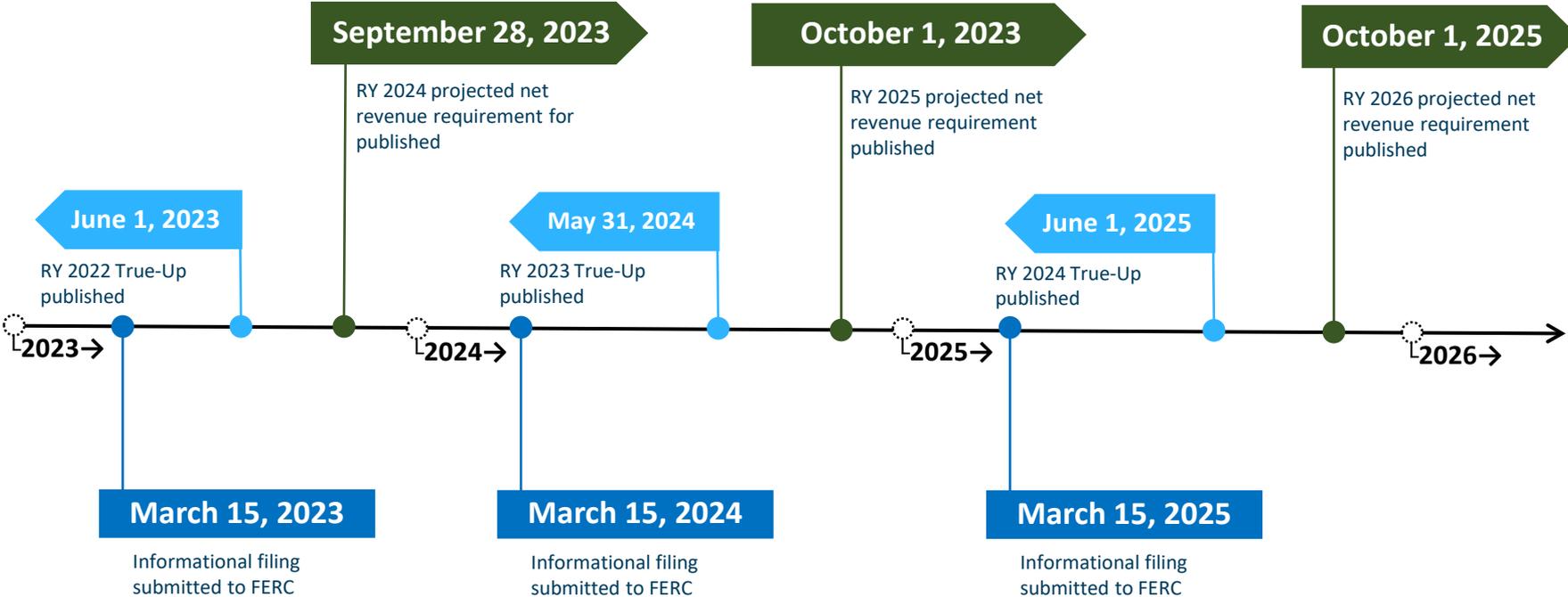
Republic made certain cost commitments for the Duff to Coleman Project

- **Cost Cap**<sup>1</sup> – Project Costs may not exceed the binding cost cap of \$58.1M, subject to certain exclusions.
- **ROE Cap**<sup>1</sup> – 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**<sup>1</sup> – Republic is subject to an Equity Percentage Cap of 45% for the Project.

<sup>1</sup> As defined in and subject to the terms of the Selected Developer Agreement between Republic and MISO. Refer to Attachment A included in the 2024 Projection package for additional details.

# Formula Rate Timeline

## General Update Process



# Formula Rate Timeline

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## 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 – 2023 Annual True-up meeting
- October 1– Publication of 2025 Projection
- November 14 – Stakeholder meeting for 2025 Projection
- December 2 – Last day to submit information requests and last day to incorporate corrections into 2025 Projection.
- January 31, 2025 – Last day to submit informal challenges

# Annual Projection

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2025 Rate Year

# Annual Projection

## 2025 Annual Revenue Requirement Projection

Attachment O Line Item	2025 Projection
Average Rate Base	\$ 43,223,066
Rate of Return <sup>1</sup>	5.98%
<b>Return on Rate Base</b>	<b>2,584,485</b>
Income Taxes	515,943
<b>Total Return &amp; Taxes</b>	<b>3,100,427</b>
Operating Expenses:	
O&M and A&G Expenses	1,287,205
Depreciation Expenses	1,158,982
Non-income taxes	530,946
<b>Total Operating Expenses</b>	<b>2,977,133</b>
<b>Gross Revenue Requirement</b>	<b>6,077,561</b>
Less: Revenue Credits	0
Less: True-up Adjustment with Interest <sup>2</sup>	179,665
<b>Projected Attachment GG Network Upgrade Charge</b>	<b>\$ 5,897,895</b>

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

<sup>2</sup> For the 2025 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) <sup>1</sup>	2023 True-up Published June 1
Actual Annual 2023 Revenue Received	\$ 6,713,653
Actual Annual 2023 Revenue Requirement	\$ 6,560,209
Under/(Over) Recovery of Revenue Requirement	\$ (153,444)
Average Monthly Interest Rate	0.6635%
Interest For 24 Months	\$ (26,222)
<b>Total Under/(Over) Recovery Including Interest</b>	<b>\$ (179,665)</b>

True-up Adjustment is incorporated into Attachment GG (Page 3, Column 11) for the 2025 Projection<sup>2</sup>

<sup>1</sup>Refer to True-up and Interest work paper in the published 2022 True-up for more detail.

<sup>2</sup>Interest rate applied to under/(over) recovery amounts averages rates for twenty four (24) months. Interest based on values published by FERC:

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

# Appendix – Weighted Average Cost of Capital

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## Rate of Return Calculation

WACC Element	Weight	Cost	Weighted	
Long Term Debt	55%	2.85%	1.57%	
Preferred Stock	-	-	-	
Common Stock	45%	9.80%	4.41%	
Total			5.98%	= Rate of Return

Refer to Workpaper No. 5 in the published 2025 Projection for more detail.

# Discussion

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Formula rate materials are posted online:

[republictransmission.com/documents](https://republictransmission.com/documents)

[misoenergy.org/markets-and-operations/settlements/to-rate-data/republic-transmission-llc](https://misoenergy.org/markets-and-operations/settlements/to-rate-data/republic-transmission-llc)

Direct inquiries, information requests, and challenges to:

[rates@republictransmission.com](mailto:rates@republictransmission.com)

# Disclaimer

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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.