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Silver Run Electric, LLC
2021 Annual Projection Stakeholder Meeting
October 26, 2020
11:00 AM CDT

Agenda

- Introduction
- Silver Run Background
- Projected Net Revenue Requirement for 2021 Rate Year
- Questions
- Appendix

Legal Disclosure

This document and any related discussions contain certain statements that describe Silver Run Electric, LLC's (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.

Silver Run Background

Background & Formula Rate Timeline

Silver Run Background

About Us

Silver Run Electric, LLC (Silver Run) is a transmission-only company whose business is to develop, own, and operate transmission facilities in the PJM region.

Facilities

Silver Run owns components of the Artificial Island Project including the Silver Run Substation that commenced operations in April 2020 and a 230 kV transmission line between the Silver Run Substation and the Salem substation in New Jersey that commenced operation in May 2020. The Artificial Island Project is subject to certain rate commitments including a cost cap.

Background

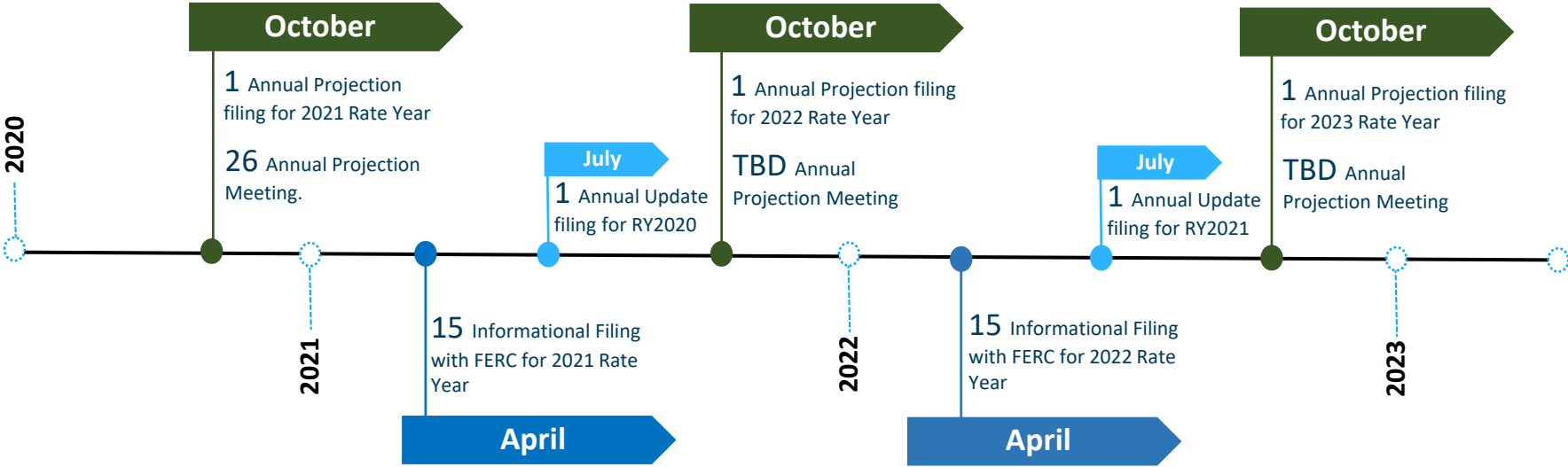
On April 26, 2016, under Docket No. ER16-453, the Federal Energy Regulatory Commission (the Commission) approved certain transmission rate incentives requested by Silver Run. The Order granted Silver Run: (1) regulatory asset incentive and accrual of carrying charges; (2) 100% recovery of prudently-incurred costs associated with abandonment of the Project; (3) a 50 bps RTO participation adder; and (4) a hypothetical capital structure of 50% debt and 50% equity until the Project achieves commercial operation.

On December 2, 2015, under Docket No. ER16-453, pursuant to Section 205 of the Federal Power Act, Silver Run filed a transmission owner tariff (TO Tariff) and proposed transmission cost-of-service formula rate template (together “Formula Rate Filing”). Certain aspects of the Formula Rate Filing were set for settlement hearing resulting in a September 7, 2016 Settlement Agreement, that was subsequently certified by the Commission on November 17, 2016. On March 25, 2020, under Docket No. ER20-1387 Silver Run filed to correct certain errors in its formula rate which were accepted by the Commission on May 12, 2020.

On July 24, 2020, under Docket No. ER20-2504 Silver Run, through PJM, requested authorization to commence collection of its regulatory asset authorized in Docket No. ER16-453. On September 22, 2020 the Commission accepted the Silver Run’s request.

Formula Rate Timeline

Silver Run's formula rate timeline in accordance with Attachment H-27B of its TO Tariff.



Annual Projected Net Revenue Requirement

2021 Rate Year

Key Rate Commitments

Silver Run made certain commitments in connection with its Artificial Island Project. Some of the key rate commitments are highlighted below.

- ◆ **Cost Cap¹** –Project Costs may not exceed the binding cost cap of \$166.3M, subject to certain exclusions.
- ◆ **Equity Cap²** – Silver Run is subject to an equity cap of 54.75%.

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

² *Northeast Transmission Development, LLC*, Docket No. ER16-453-000 (filed Sept 7, 2016) (“Offer of Settlement”).

Projected Revenue Requirement Calculation

2021 Annual Revenue Requirement Projection (\$millions).

	2021 Projected
Average Rate Base	\$155.99
Rate of Return ³	6.62%
Return on Rate Base	\$10.3
Incentive Return	\$0.6
Income Taxes	\$3.3
Total Return & Taxes	\$13.6
Recoverable Operating Expenses:	
O&M and A&G Expenses	\$4.6
Depreciation Expenses	\$3.4
Non-income taxes	\$1.3
Total Recoverable Operating Expenses	\$9.3
Gross Revenue Requirement	\$23.6
Revenue Credits	\$0
Net Revenue Requirement	\$23.6

³Weighted Average Cost of Capital (WACC) calculation for projection provided in the Appendix 1.

Questions

If you have any additional questions after this meeting, please email them to SilverRunRates@SilverRunElectric.com

Appendix

Appendix 1 - WACC calculation for 2021 Annual Projection

Appendix 1 – WACC

WACC Calculation for 2021 Rate Year projection.

Weighted Average Cost of Capital	Weight	Cost	Weighted	
Long Term Debt	45.25%	2.71%	1.23%	
Preferred Stock	-	-	-	
Common Stock	54.75%	9.85%	5.39%	
Total			6.62%	=Return