

A wide-angle photograph of high-voltage power lines stretching across a landscape under a soft, hazy sky at sunset or sunrise. The towers are silhouetted against the warm, orange and yellow light of the sky.

Stability. Reliability. Efficiency

Silver Run Electric, LLC

2022 Annual Projection Stakeholder Meeting

October 22, 2021

Outline

- Introductions
- Background
- Projection for 2022 Rate Year
- Discussion
- Appendices

Background

Company, Project, and Formula Overview

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.

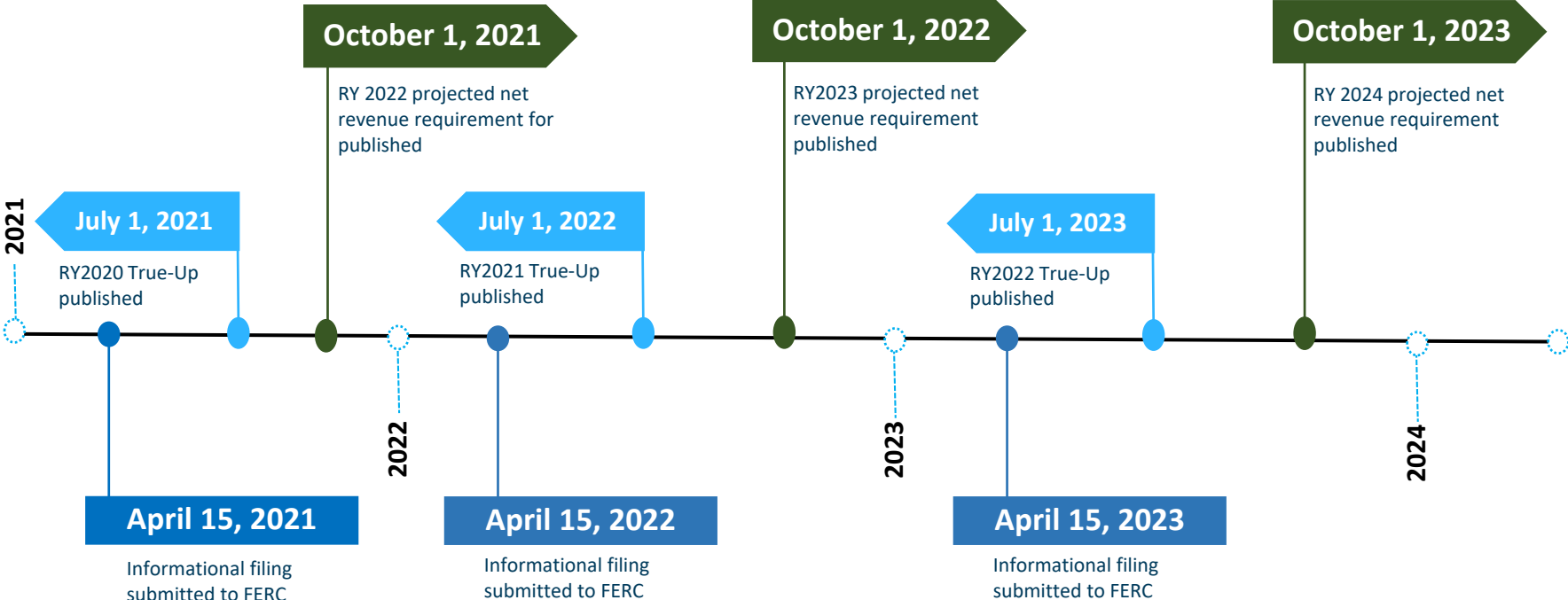
Background – Regulatory

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
- March 25, 2020 – Silver Run filed corrections to certain errors in its formula rate which were accepted by the Commission on May 12, 2020, in Docket No. ER20-1387
- April 16, 2020 – Silver Run submits tariff revisions to comply with FERC Order No. 864 (ADIT) in Docket No. ER20-1633. This matter remains pending before the Commission.

Formula Rate Timeline

General Update Process



Formula Rate Timeline

Selected milestones

- April 14, 2021 – 2020 FERC Form No. 1 submitted to FERC
- April 15, 2021 – Informational filing submitted to FERC in Docket No. ER21-1695
- July 1, 2021 – 2020 Annual Update (True-up) published
- August 13, 2021 – Annual Update (True-up) meeting
- October 1, 2021 – Publication of 2022 Projection
- October 22, 2021 – Stakeholder meeting for 2022 Projection
- December 1, 2021 – Last day to incorporate corrections into 2022 Projection
- January 1, 2022 – Scheduled end of information request period

Annual Update (True-up)

2022 Rate Year

Projected Revenue Requirement Summary

2022 Annual Revenue Requirement Projection

Appendix H-27A	2022 Projection
13-Month Average Rate Base	\$ 148,918,275
Rate of Return ¹	6.75%
Return on Rate Base	10,046,394
Incentive Return	565,946
Income Taxes	3,193,890
Total Return & Taxes	13,806,230
Operating Expenses:	
O&M and A&G Expenses	6,348,218
Depreciation Expenses	3,466,071
Non-income taxes	1,077,052
Total Operating Expenses	10,891,342
Gross Revenue Requirement	24,697,573
Less: Revenue Credits	0
Plus: True-up Adjustment with Interest ²	400,974
Net Revenue Requirement	\$ 25,098,547


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

² Refer to Slide 9, True-Up Adjustment

True-up Adjustment

True-up adjustment and interest calculation

True-Up Adjustment (including interest) ¹	
Projected 2020 Annual Revenue Requirement	\$ 13,704,563
Actual 2020 Annual Revenue Requirement	\$ 14,074,982
Under/(Over) Recovery of Revenue Requirement	\$ 370,420
Monthly Interest Rate	0.321%
Interest For 24 Months	\$ 30,554
Total Under/(Over) Recovery Including Interest	\$ 400,974


Adjustment to be incorporated into
2022 Projection

¹Refer to Attachment 3 (Formula Rate True-up), Attachment 6 (Interest on True-up), and Work Paper No. 4 (Attachment 6 Support) in the published 2020 Annual Update for more detail.

Discussion

Formula rate materials are posted online:

silverrunelectric.com/documents

Direct inquiries, information requests, and challenges to:

SilverRunRates@silverrunelectric.com

Appendices

WACC, Cost Commitments, Disclaimer

Appendix – WACC

Weighted Average Cost of Capital Calculation for 2022 Projection

WACC Element	Weight	Cost	Weighted	
Long Term Debt	45.25%	2.99%	1.35%	
Preferred Stock	-	-	-	
Common Stock	54.75%	9.85%	5.39%	
Total			6.75%	= Return

Refer to Attachment 5 (Return on Rate Base worksheet) in the published 2022 Annual Projection for more detail.

Appendix – Key Cost Commitments

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. ER16-453-000

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.