



## Silver Run Electric, LLC

2024 Annual Projection Stakeholder Meeting

November 8, 2023

# Outline

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- Introductions
- Background
  - Company and Project
  - Formula Rate
- Annual Projection for 2024 Rate Year
  - 2024 Projection
  - True-up Adjustment
- Discussion

# Background

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Company, Project, and Formula Rate

# Background – General

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## 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](http://silverrunelectric.com).

# Background – Regulatory

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## 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.
- August 11, 2023 – FERC accepts Silver Run’s June 12, 2023 request in Docket No. ER23-2123 for abandoned plant incentive for Silver Run Expansion project if cancelled for reasons beyond Silver Run’s control.

# Background – Cost Commitments

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## Key Provisions

Silver Run made certain cost commitments for the Artificial Island Project

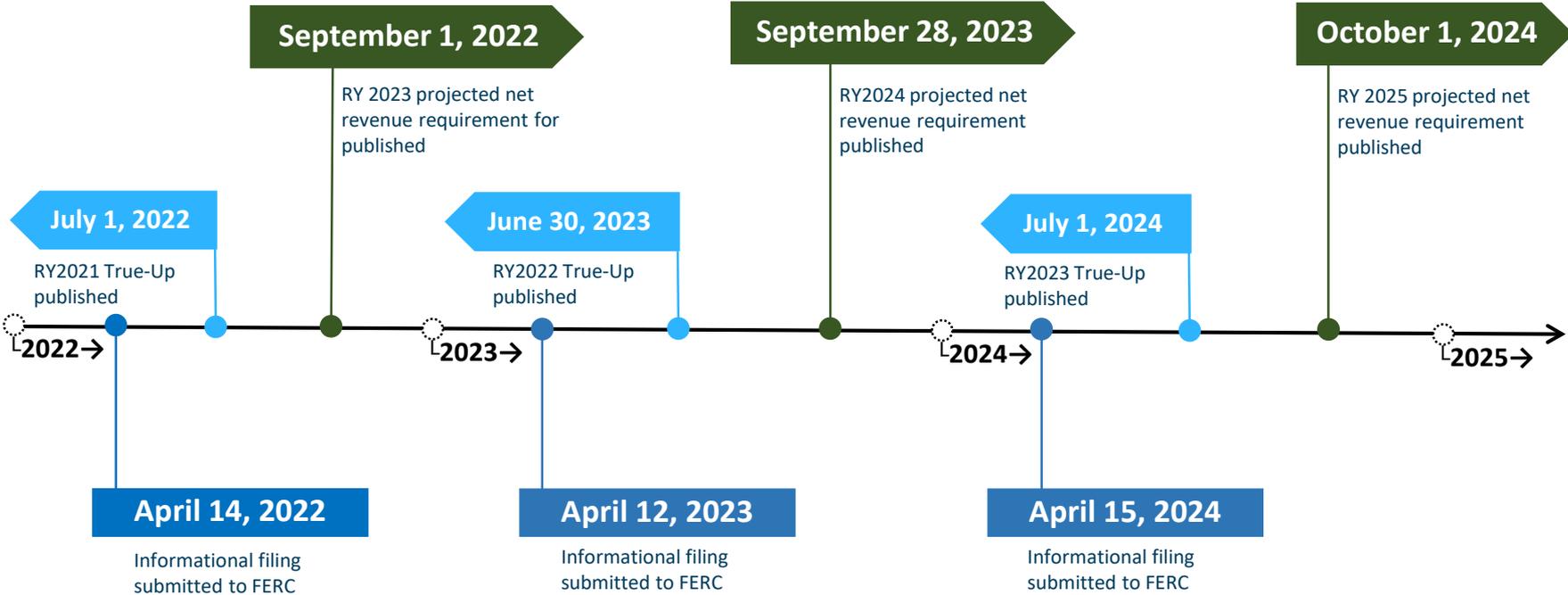
- **Cost Cap**<sup>1</sup> – Silver Run’s Project costs may not exceed the binding cost cap of \$166.3 million, subject to certain exclusions.
- **Equity Cap**<sup>2</sup> – The Project is subject to an equity percentage cap of 54.75%.

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

<sup>2</sup> Subject to terms of the settlement agreement in Docket No. ER16-453

# Formula Rate Timeline

## General Update Process



# Formula Rate Timeline

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## Selected 2023 milestones

- April 12 – Informational filing submitted to FERC in Docket No. ER23-1617
- April 17 – 2022 FERC Form No. 1 submitted to FERC
- June 28 – 2022 FERC Form No. 1 resubmitted to FERC
- June 30 – 2022 Annual Update published
- August 9 – 2022 Annual Update Stakeholder Meeting
- September 28 – Publication of 2024 Projection
- November 8 – Stakeholder meeting for 2024 Projection
- December 1 – Last day to incorporate corrections into 2024 Projection
- January 1, 2024 – Scheduled end of information request period

# Annual Projection

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2024 Rate Year

# 2024 Projection

## Summary of Revenue Requirement Components

Appendix H-27A	2024 Projection
13-Month Average Rate Base	\$ 137,847,804
Rate of Return <sup>1</sup>	6.64%
<b>Return on Rate Base</b>	<b>9,148,989</b>
Incentive Return	523,702
Income Taxes	2,953,776
<b>Total Return &amp; Taxes</b>	<b>12,626,468</b>
Operating Expenses: O&M and A&G Expenses	8,703,686
Depreciation Expenses	3,540,160
Non-income taxes	1,140,779
<b>Total Operating Expenses</b>	<b>13,384,624</b>
<b>Gross Revenue Requirement</b>	<b>26,011,092</b>
Less: Revenue Credits	362,479
Plus: True-up Adjustment with Interest <sup>2</sup>	144,535
<b>Net Revenue Requirement</b>	<b>\$ 25,793,147</b>

<sup>1</sup> Refer to slide 11 for Weighted Average Cost of Capital (WACC) calculation.

<sup>2</sup> Refer to slide 10, True-Up Adjustment.

# True-up Adjustment

True-Up Adjustment (including interest) <sup>1</sup>	Published June 30, 2023
Actual 2022 Net Annual Revenue Requirement (Att. H-27A, Page 1, Line 9)	\$ 24,828,974
Account 456.1 Revenue Received During 2022 (Att. 3, Line 2; itemized on Workpaper No. 5)	\$ 24,697,573
Under/(Over) Recovery of Revenue Requirement	<b>\$ 131,401</b>
Monthly Interest Rate	0.387%
Interest For 24 Months	\$ 13,134
<b>Total Under/(Over) Recovery Including Interest</b>	<b>\$ 144,535</b>

  
 Adjustment  
 incorporated into 2024  
 Projection

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

# Weighted Average Cost of Capital

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## WACC Calculation for 2024 Annual Projection

WACC Element	Weight	Cost	Weighted Cost	
Long Term Debt	45.25%	2.75%	1.24%	
Preferred Stock	-	-	-	
Common Stock	54.75%	9.85%	5.39%	
Total			6.64%	= Return

Refer to Attachment 5 (Return on Rate Base worksheet) in the published 2024 Projection for more detail.

# Discussion

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Formula rate materials are posted online:

[silverrunelectric.com/documents](http://silverrunelectric.com/documents)

Direct inquiries, information requests, and challenges to:

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

# Disclaimer

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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.