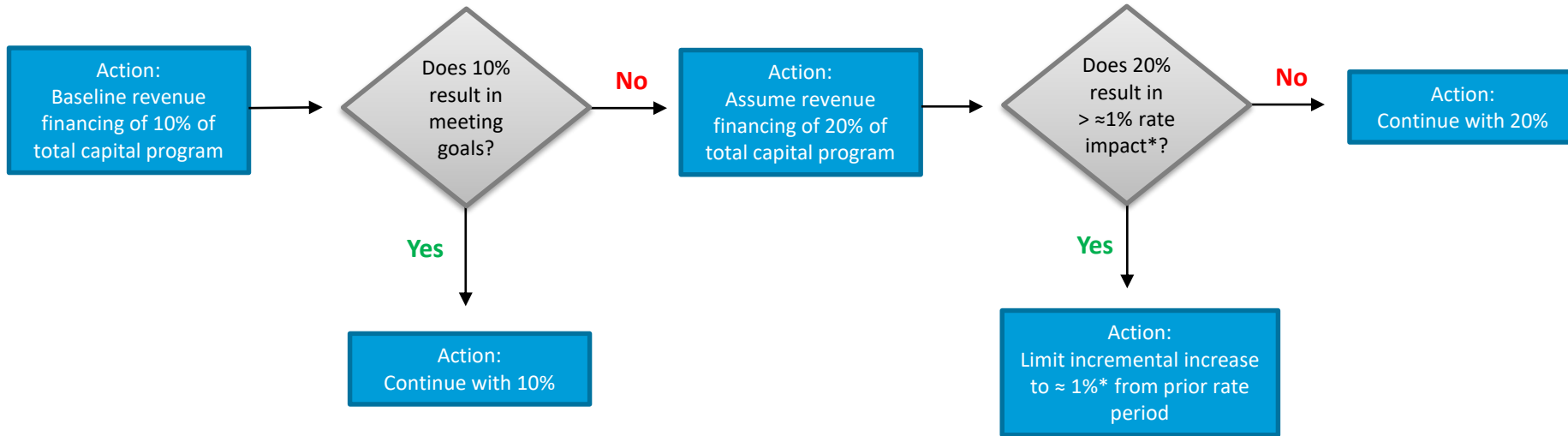# Illustrating the Calculation of
Default Amounts of Revenue Financing

High-level Overview of Approach

* Section 5(2)(b) of the draft policy uses $15 million/year for Transmission and $25 million/year for Power based on incremental rate impacts of approximately 1% for each business unit, on a net cost basis, which considers savings from avoided interest expense.

Step 1: Calculating 10% Revenue Financing

- Revenue financing is 10% of total capital based on the 2018 IPR capital spending

Power 10% of Total Capital Revenue Financing -- Annual Average Revenue Financing

$ In Thousands

BP22	BP24	BP26	BP28	BP30	BP32	BP34	BP36	BP38	BP40
40,000	39,399	39,521	41,563	44,177	46,587	46,735	48,572	50,477	52,474

Transmission 10% of Total Capital Revenue Financing -- Annual Average Revenue Financing

$ In Thousands

BP22	BP24	BP26	BP28	BP30	BP32	BP34	BP36	BP38	BP40
40,000	65,299	62,195	49,658	50,828	52,234	54,207	56,218	58,270	60,395

- Is the business unit on the path toward 60% leverage in 2040?
  See slides 21 & 24 of January 26th workshop

  – Power: Yes. No further action necessary. BP24 default amount of revenue financing would be about $39.4 million/year.

  – Transmission: No. Go to Step 2.

Step 2: Calculating 20% Revenue Financing

- 20% of total capital is based on the 2018 IPR capital spending

Transmission 20% of Total Capital Revenue Financing -- Annual Average Revenue Financing

$ In Thousands

BP22	BP24	BP26	BP28	BP30	BP32	BP34	BP36	BP38	BP40
40,000	130,598	124,390	99,316	101,656	104,468	108,414	112,436	116,540	120,790

- Does the change in revenue financing result in a greater than 1% rate increase?

    – Yes. The increase in BP24 would be significantly greater than 1%.

- Limit the amount of revenue financing in BP24 to the amount from BP22 plus $15 million.

    – BP24 default amount of revenue financing would be $55 million/year.

- Repeat the analysis for subsequent rate periods.

    – Once the increase is less than $15 million/year, the rate impact governor is no longer needed.