

Rate Schedule No. 1

Formula Rate Implementation Protocols
of
Transource Missouri, LLC
(Attachment H-___)

Tariff Submitter: Transource Missouri, LLC
FERC Tariff Program Name: FERC FPA Electronic Tariff
Tariff Title: TMO Tariff Database
Tariff Record Proposed Effective Date: October 30, 2012
Tariff Record Title: Protocols
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APPENDIX B

TRANSOURCE MISSOURI, LLC FORMULA RATE IMPLEMENTATION PROTOCOLS

The formula rate template (“Template”) and these Formula Rate Implementation Protocols (“Protocols”) together comprise the filed rate (“Formula Rate”) of Transource Missouri, LLC (“Transource Missouri”) for transmission revenue requirement determinations under the Southwest Power Pool (“SPP”) Open Access Transmission Tariff (“OATT”). Transource Missouri shall follow the instructions specified in the Formula Rate to calculate annually its net revenue requirement, as set forth at page 1, line 4 of the Template (“Net Revenue Requirement”). The project-specific net revenue requirements determined under the Formula Rate are “up to” rates, i.e., ceiling rates, and permit Transource Missouri to discount the revenue requirement for a future project to the extent necessary to reflect the result of any competitive bidding on such a project. The Net Revenue Requirement (page 1, line 4 of the Template) shall be determined for January 1 to December 31 of a given calendar year (the “Rate Year”). The Formula Rate shall become effective for recovery of Transource Missouri’s Net Revenue Requirement upon the effective date for incorporation into the SPP OATT through an appropriate filing with the Federal Energy Regulatory Commission (“FERC” or “Commission”) under Section 205 of the Federal Power Act (“FPA”).

Section 1. Annual Projection

- a. No later than September 30 preceding the first Rate Year, and each subsequent Rate Year, Transource Missouri shall determine its projected Net Revenue

Requirement for the upcoming Rate Year in accordance with Transource Missouri's Formula Rate ("Annual Projection"). The Annual Projection shall include the True-up Adjustment described and defined in Section 2 below, if applicable. Transource Missouri shall cause an electronic version of the Annual Projection to be posted in both a Portable Document Format and fully-functioning Excel file at a publicly accessible location on SPP's internet website. Such posting shall include (i) all inputs in sufficient detail to identify the components of Transource Missouri's projected Net Revenue Requirement, and (ii) explanations of the bases for the projections and input data. If the date for making such posting of the Annual Projection should fall on a weekend or a holiday recognized by FERC, then the posting shall be made no later than the next business day. Transource Missouri shall electronically serve each Annual Projection upon the Service List.¹

- b. To the extent Transource Missouri agrees to make changes in the Annual Projection for a given Rate Year, such revised Annual Projection shall be promptly posted at a publicly accessible location on SPP's internet website and a link to the website shall be electronically served upon the Service List. Changes posted prior to November 30 of the preceding Rate Year, or the next business day if November 30 is not a business day (or such later date as can be accommodated under SPP's billing practices), shall be reflected in the Annual Projection for the

¹ As used in these protocols, "Service List" shall mean (i) the email list of SPP OATT Transmission Customers maintained by the SPP; (ii) any state regulatory agency with rate jurisdiction over a public utility located within the SPP footprint; and (iii) any consumer advocate agency authorized by state law to review and contest the rates for any such public utility, provided such consumer advocate agency requests to be placed on the Service List and provides an e-mail address to Transource Missouri.

Rate Year; changes posted after that date will be reflected, as appropriate, in the True-up Adjustment for the Rate Year.

- c. The Annual Projection, including the True-Up Adjustment, for each Rate Year shall be subject to review, challenge, true-up and refunds or surcharges with interest, to the extent and in the manner provided in these Protocols.

Section 2. True-up Adjustment

Transource Missouri will calculate the amount of under- or over-collection of its actual Net Revenue Requirement during the preceding Rate Year (“True-up Adjustment”) after the FERC Form No. 1 data for that Rate Year has been filed with the Commission. The True-up Adjustment shall be the sum of components a and b, determined in the following manner:

- a. Transource Missouri’s projected Net Revenue Requirement collected during the previous Rate Year² will be compared to Transource Missouri’s actual Net Revenue Requirement for the previous Rate Year calculated in accordance with Transource Missouri’s Formula Rate and based upon (i) Transource Missouri’s FERC Form No. 1 for that same Rate Year, (ii) any FERC orders specifically applicable to Transource Missouri’s calculation of its annual revenue requirement, (iii) the books and records of Transource Missouri (which shall be maintained consistent with the FERC Uniform System of Accounts (“USoA”)), (iv) FERC accounting policies and practices applicable to the calculation of annual revenue

² If the initial year of this rate schedule is a partial year, the initial projected Net Revenue Requirement will be divided by the number of months the Formula Rate is in effect to calculate the monthly projected cost of service to be collected each month of the first year. Similarly, the actual Net Revenue Requirement will be divided by the number of months the rate is in effect to calculate the actual cost of service to be collected each month of the first year. The first True-up Adjustment will compare the projected Net Revenue Requirement billed and the actual Net Revenue Requirement for that initial Rate Year.

requirements under formula rates, and (v) any aspects of the SPP OATT Governing Documents that apply to the calculation of annual revenue requirements under individual transmission owner formula rates,³ to determine any over- or under-recovery (“True-up Adjustment Over/Under Recovery”). Transource Missouri will include a variance analysis of, at minimum, actual revenue requirement components of rate base, operating and maintenance expenses, depreciation expense, taxes, return on rate base, and revenue credits as compared to the corresponding components in the projected revenue requirement that was calculated for the prior Rate Year with an explanation of material changes.

- b. Interest on any True-up Adjustment Over/Under Recovery of the actual Net Revenue Requirement shall be calculated in accordance with the Formula Rate true-up worksheet.

Section 3. Annual Update

- a. On or before June 30 following each Rate Year, Transource Missouri shall calculate its actual Net Revenue Requirement and the True-up Adjustment as described in Section 2 (“Annual Update”) for such Rate Year, and shall cause such Annual Update to be posted, in both a Portable Document Format and fully-functioning Excel format containing the populated template for that year’s update, at a publicly accessible location on SPP’s internet website, and electronically

³ SPP OATT Governing Documents include the SPP OATT, Bylaws, Criteria, and Membership Agreements.

serve a link to the website on the Service List. In addition, the Annual Update shall be contemporaneously submitted as an informational filing with the FERC.

- b. If the date for making the Annual Update posting should fall on a weekend or a holiday recognized by the FERC, then the posting shall be due on the next business day.
- c. The date on which the last of the events listed in Section 3.a or 3.b occurs shall be that year's "Publication Date."
- d. Together with the posting of the Annual Update, Transource Missouri shall cause to be posted on the SPP website the time, date and location for a stakeholder meeting with (i) any Eligible Customer under the SPP OATT; (ii) any regulatory agency with rate jurisdiction over a public utility located within the SPP footprint; (iii) any consumer advocate authorized by state law to review and contest the rates for any such public utility, or (iv) any party with standing under FPA Section 205 or 206 (collectively, "Interested Persons") in order for Transource Missouri to explain its Annual Update and to provide Interested Persons an opportunity to seek information and clarifications regarding the Annual Update ("Stakeholder Meeting"). The Stakeholder Meeting shall be held no less than twenty (20) business days and no more than thirty (30) business days after June 30.
- e. The Annual Update for the Rate Year:

- (i) Shall provide, via the Formula Rate worksheets, sufficiently detailed supporting documentation for data (and all adjustments thereto or allocations thereof) used in the Formula Rate that are not stated in the FERC Form No. 1;⁴
- (ii) Shall provide notice of changes in Transource Missouri's accounting policies and practices from those in effect for the calendar year upon which the immediately preceding Annual Update was based that affect the Formula Rate or calculation of the Annual Update ("Accounting Change(s)"). Such notice shall include (i) those changes that, in Transource Missouri's reasonable judgment, could impact the Formula Rate or the calculations under the Formula Rate within the next three years; (ii) any changes in the SPP OATT from the provisions of the SPP OATT in effect during the calendar year upon which the most recent ATRR was based and that, in Transource Missouri's reasonable judgment, could impact the Formula Rate or the calculations under the Formula Rate within the next three years; and (iii) any change, and the dollar value of the change, in the classification of any transmission facility under Attachment AI of the SPP OATT (including the costs of any reclassified facility) that

⁴ It is the intent of the Formula Rate, including the supporting explanations and allocations described therein, that each input to the Formula Rate for purposes of determining the actual Net Revenue Requirement for a given Rate Year will be either taken directly from the FERC Form No. 1 or reconcilable to the FERC Form No. 1 by the application of clearly identified and supported information. If the referenced form is superseded, the successor form(s) shall be utilized and supplemented as necessary to provide equivalent information as that provided in the superseded form. If the referenced form is discontinued, equivalent information as that provided in the discontinued form shall be utilized.

Transource Missouri has made in the applicable True-Up Adjustment or Annual Update.

- (iii) Shall be subject to review and challenge in accordance with the procedures set forth in Sections 4, 5, and 6 of these Protocols.
- (iv) Shall be subject to review and challenge in accordance with the procedures set forth in these Protocols with respect to the prudence of any costs and expenditures included for recovery in the Annual Update; provided, however, that nothing in these Protocols is intended to modify the Commission's applicable precedent with respect to the burden of going forward or burden of proof under formula rates in such prudence challenges; and
- (v) Shall not seek to modify the Formula Rate and shall not be subject to challenge by any Interested Person seeking to modify the Formula Rate. (i.e., any modifications to the Formula Rate will require, as applicable, an FPA Section 205 or Section 206 filing or initiation of a Section 206 investigation).

- f. The following Formula Rate inputs shall be stated values to be used in the Formula Rate until changed pursuant to an FPA Section 205 or 206 proceeding:
 - (i) rate of return on common equity ("ROE"); (ii) "Post-Employment Benefits other than Pensions" pursuant to Statement of Financial Accounting Standards No. 106, Employers' Accounting for Postretirement Benefits Other Than

Pensions (“PBOP”) charges; and (iii) the depreciation and/or amortization rates as set forth in Attachment 9 to the Formula Rate template.

g. **Example – Timeline for 2015 Annual Update:**

On or before September 30, 2013, Transource Missouri will determine the projected Net Revenue Requirement for the 2014 Rate Year, which is expected to be the first year that costs are recovered from SPP customers under the Formula Rate. Transource Missouri will post the Annual Projection for the 2014 Rate Year in accordance with Section 1 above. Transource Missouri will not determine a True-up Adjustment or post an Annual Update on August 1, 2014 if no costs have been recovered under the Formula Rate during 2013. On or before September 30, 2014, Transource Missouri will post the Annual Projection for the 2015 Rate Year. On or before August 1, 2015, Transource Missouri will post its first Annual Update, consisting of the True-up Adjustment for the 2014 Rate Year determined pursuant to Section 2 above. Such True-up Adjustment will be reflected in the Annual Projection of the Net Revenue Requirement for the 2016 Rate Year posted on or before September 30, 2015. The Annual Update posted August 1, 2015 will be subject to the customer review and challenge procedures described in Sections 4, 5, and 6 of these Protocols.

Section 4. Annual Review Procedures

Each Annual Update shall be subject to the following review procedures (“Annual Review Procedures”):

- a. Interested Persons shall have up to the latest of one hundred fifty (150) calendar days after the Publication Date, thirty (30) calendar days after the receipt of all responses to timely submitted information requests (unless such period is extended with the written consent of Transource Missouri), or thirty (30) calendar days after resolution of a dispute that does not result in the production of additional information (“Review Period”), to review the calculations and to notify Transource Missouri in writing of any specific challenges, including challenges related to Accounting Changes, to the Annual Update (“Preliminary Challenge”). Transource Missouri shall promptly cause to be posted all Preliminary Challenges at a publicly accessible location on SPP’s internet website and a link to the website will be electronically served upon the Service List.

Transource Missouri shall respond in writing to a Preliminary Challenge within twenty (20) business days of receipt, and its response shall notify the challenging party of the extent to which Transource Missouri agrees or disagrees with the challenge. If Transource Missouri disagrees with the Preliminary Challenge, its response shall include supporting documentation. Transource Missouri shall promptly cause to be posted responses to all Preliminary Challenges at a publicly accessible location on SPP’s internet website and a link to the website will be electronically served upon the Service List.

- b. Interested Persons shall have up to one hundred twenty (120) calendar days after each annual Publication Date (unless such period is extended with the written consent of Transource Missouri) to serve reasonable information requests on Transource Missouri. Information requests shall be limited to what is necessary to

determine if: (i) Transource Missouri has properly calculated the Annual Update under review (including any corrections pursuant to Section 6); (ii) the costs included in the Annual Update are properly recordable and recorded, prudently incurred, and otherwise consistent with Transource Missouri's accounting policies, practices and procedures consistent with the USoA; (iii) the input data used in the Annual Update are accurate and correctly used in the Formula Rate; and (iv) the Formula Rate has been applied according to its terms, including the procedures in these Protocols. Information requests shall not solicit information concerning costs or allocations where the costs or allocation methods have been determined to be appropriate by FERC in the context of prior Transource Missouri Annual Updates, except that such information requests shall be permitted if they (i) seek to determine if there has been a change in circumstances, (ii) are in connection with corrections pursuant to Section 6, or (iii) relate to costs or allocations that have not previously been challenged and adjudicated by FERC. Information requests received will be posted at a publicly accessible location on SPP's internet website and a link to the website will be electronically served upon the Service List.

- c. Transource Missouri shall make a good faith effort to respond to information requests pertaining to the Annual Update within ten (10) business days of receipt of such requests.

To the extent Transource Missouri and any Interested Person(s) are unable to resolve disputes related to information requests submitted in accordance with these Annual Review Procedures, Transource Missouri or any Interested Person may petition the FERC to appoint an Administrative Law Judge as a discovery

master to resolve the discovery dispute(s) in accordance with these Protocols and consistent with the FERC's discovery rules.

- d. Preliminary Challenges, or Formal Challenges as described in Section 5 below, related to Accounting Changes shall be treated in the same manner under these Protocols as other challenges to the Annual Update. Failure to make a Preliminary Challenge with respect to an Accounting Change in an Annual Update shall not act as a bar with respect to a Formal Challenge with respect to that Annual Update, nor shall such failure bar a subsequent Preliminary Challenge related to a subsequent Annual Update to the extent such Accounting Change affects the subsequent Annual Update.
- e. If a change made by Transource Missouri to its accounting policies, practices or procedures, or the application of the Formula Rate, is found by the FERC to be unjust, unreasonable, and/or unduly discriminatory or preferential, then the calculation of the charges to be assessed during the Rate Year then under review, and the charges to be assessed during any subsequent Rate Years, including any True-up Adjustments, shall not include such change, but shall include any remedy that may be prescribed by FERC in the exercise of its discretion as of the effective date of such remedy, to ensure that the Formula Rate continues to operate in a manner that is just, reasonable, and not unduly discriminatory or preferential.

Section 5. Resolution of Challenges

- a. If Transource Missouri and any Interested Person have not resolved any Preliminary Challenge to the Annual Update within sixty (60) calendar days after

the end of the Review Period (unless such period is extended with the written consent of Transource Missouri to continue efforts to resolve the Preliminary Challenge), such Interested Person may, within thirty (30) calendar days thereafter, file a challenge with the FERC, pursuant to 18 C.F.R. § 385.206 (“Formal Challenge”), which shall be served on Transource Missouri by electronic service on the date of such filing. Subject to any applicable confidentiality and Critical Energy Infrastructure Information restrictions, all information and correspondence produced by Transource Missouri pursuant to these Protocols may be included in any Formal Challenge or other FERC proceeding relating to the Formula Rate.

- b. Any response by Transource Missouri to a Formal Challenge must be submitted to the FERC within thirty (30) calendar days of the date of the filing of the Formal Challenge, and shall be served on the filing party(ies) and the Service List by electronic service on the date of such filing.
- c. In any proceeding concerning a given year’s Annual Update (including corrections) or Accounting Change(s), Transource Missouri shall demonstrate the justness and reasonableness of the rate resulting from its application of the Formula Rate by demonstrating that it has reasonably and accurately calculated the Annual Update and/or reasonably adopted and applied the Accounting Change.
- d. Except as specifically provided herein, nothing herein shall be deemed to limit in any way the right of Transource Missouri to file unilaterally, pursuant to Section

205 of the FPA and the regulations thereunder, an application seeking changes to the Formula Rate or to any of the stated value inputs requiring a Section 205 filing under these Protocols (including, but not limited to, ROE, depreciation and amortization rates, and PBOPs), or the right of any other party or the Commission to seek such changes pursuant to Section 206 of the FPA and the regulations thereunder.

- e. Transource Missouri may, at its discretion and at a time of its choosing, make a limited filing pursuant to Section 205 to modify stated values in the Formula Rate for amortization and depreciation rates, or PBOP rates. The sole issue in any such limited Section 205 proceeding shall be whether such proposed change(s) is just and reasonable, and it shall not address other aspects of the Formula Rate.

Section 6. Changes to Annual Updates

If Transource Missouri determines or concedes that corrections to the Annual Update are required, whether under Sections 4 or 5 of these Protocols, including but not limited to those requiring corrections to its FERC Form No. 1, or input data used for a Rate Year that would have affected the Annual Update for that Rate Year, Transource Missouri shall promptly notify the Service List, file a correction to the Annual Update with the FERC as an amended informational filing, and cause such information to be posted at a publicly accessible location on SPP's internet website. Such corrections shall be subject to review at the time they are made and shall be reflected in the next Annual Update, with interest. A corrected posting shall reset the deadlines under Section 4 and 5 of the Protocols for Interested Person review and the revised dates shall run from the posting date(s) for each of the corrections. The scope of review shall be limited to the aspects of the Formula Rate affected by the corrections. Interest on any over- or under-

recovery due to corrections for preceding True-up Adjustments shall be calculated monthly on such over- or under-recovery from January 1 of the corrected Rate Year through December 31 of the Rate Year in which such over- or under-recovery is reflected (“Correction Period”). That is equivalent to two years interest applied to over- or under- collection. The applicable monthly interest rates for the Correction Period for an over-recovery shall be determined in accordance with the Formula Rate true-up worksheet divided by twelve (12) for each month from the beginning of the Correction Period through December 31 of the Rate Year immediately preceding the Rate Year in which such over-recovery is reflected. The applicable monthly interest rates for the Correction Period for an under-recovery shall be the annual interest rate determined in accordance 18 C.F.R § 35.19a divided by twelve (12) for each month from the beginning of the Correction Period through December 31 of the Rate Year immediately preceding the Rate Year in which such under-recovery is reflected.

Section 7. Construction Work in Progress

- a. *Accounting.* For each transmission project for which Transource Missouri has been authorized by a Commission order to include 100 percent of Construction Work in Progress (“CWIP”) in transmission rate base (“CWIP Incentive Project”), Transource Missouri shall use the following accounting procedures to ensure that it does not recover an Allowance for Funds Used During Construction (“AFUDC”) for such project.
 - (i) Transource Missouri shall assign each CWIP Incentive Project a unique Funding Project Number (“FPN”) for internal cost tracking purposes.
 - (ii) Transource Missouri shall record actual construction costs to each FPN through work orders that are coded to correspond to the FPN for each

CWIP Incentive project. Such work orders shall be segregated from work orders for transmission projects for which the Commission has not authorized Transource Missouri to include CWIP in rate base.

- (iii) For each CWIP Incentive Project, Transource Missouri shall prepare monthly work order summaries of costs incurred under the associated FPN. These summaries shall show monthly additions to CWIP and plant in service and shall correspond to amounts recorded in Transource Missouri's FERC Form No. 1. Transource Missouri shall use these summaries as data inputs into the Annual Update calculated pursuant to Section 3. Transource Missouri shall make such work order summaries available upon request under the review procedures of Section 4.
- (iv) When a CWIP Incentive Project, or portion thereof, is placed into service, Transource Missouri shall deduct from total CWIP the accumulated charges for work orders under the FPN for that project, or portion thereof. The purpose of this control process is to ensure that expenditures are not double counted as both CWIP and as additions to plant.
- (v) For transmission projects for which the Commission has not authorized Transource Missouri to include CWIP in rate base, Transource Missouri shall record AFUDC to be applied to CWIP and capitalized when the project is placed into service.

- b. *Annual Reporting.* For each CWIP Incentive Project, Transource Missouri shall file a report with the Commission at the time of Transource Missouri's Annual Update that shall include the following information concerning each such project:

- (i) the actual amount of CWIP recorded for each project;
- (ii) any amounts recorded in related FERC accounts or subaccounts, such as AFUDC and regulatory liability;
- (iii) the resulting effect of CWIP on the revenue requirement;
- (iv) a statement of the current status of each project; and
- (v) the estimated in-service date for each project.