



August 12, 2021
(Revised from incorrect July 1, 2021 version)

Silver Run Rate Year 2020 Explanation of Variances

The Silver Run Electric, LLC (“Silver Run”) filed rate includes Formula Rate Implementation Protocols (“Protocols”). Section 2.d of the Protocols requires that, as part of the calculation of its actual Net Revenue Requirement and the True-up Adjustment (“Annual Update”), Silver Run “include a variance analysis of, at minimum, actual Net 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 Net Revenue Requirement that was calculated for the prior Rate Year with an explanation of material changes.”

Silver Run began commercial operations in April 2020. The projected Net Revenue Requirement for the 2020 Rate Year (“2020 Projection”) was prepared before commercial operations and based on best estimates available at the time. On the next page, Table 1 (Summary and Explanation of Variances) provides the values, percent differences, and main drivers of variances between the 2020 Projection and the actual Net Revenue Requirement (“2020 True-up”) for selected components of Net Revenue Requirement.

Table 1 – Summary and Explanation of Variances

Appendix H-27A item	2020 Projection	2020 True-up	Difference	True-up Driver
13-Month Average Rate Base	\$ 84,289,042	\$ 92,404,717	+9.6%	Slightly higher plant and earlier in service which increased 13-month average calculation of plant
Rate of Return	7.13%	6.67%	-46 bps	Incentive separately calculated*; lower long term debt (LTD) cost
Incentive Return	n/a*	348,815	n/a	-
Return on Rate Base	6,009,443	6,509,496	+8.3%	Higher average rate base, partially offset by lower actual LTD cost
Income Taxes	1,885,807	1,972,505	+4.6%	Function of higher return
Total Return & Taxes	7,895,250	8,482,001	+7.4%	Increase in average rate base
Operating Expenses:				
O&M and A&G Expenses	2,734,400	3,161,934	+15.6%	Higher control room labor; regulatory asset included
Depreciation Expenses	1,878,526	1,987,739	+5.8%	Function of higher plant and earlier in service
Non-income taxes	1,196,387	443,309	-62.9%	Lower property taxes than estimated for 2020 Projection
Total Operating Expenses	5,809,313	5,592,982	-3.7%	Lower property taxes partially offset by other increases
Gross Revenue Requirement	13,704,563	14,074,982	+2.7%	Higher rate base return partially offset by lower operating expenses
Less: Revenue Credits	0	0	-	-
Net Revenue Requirement	\$ 13,704,563	\$ 14,074,982	+2.7%	Higher rate base return partially offset by lower expenses

* Separate incentive return (50 bps) calculation inadvertently omitted from earlier formula rate template; Corrected formula rate template accepted by FERC on May 12, 2020, in Docket No. ER20-1387.