

May 17, 2007

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ATC files application for first transmission access project in Midwest

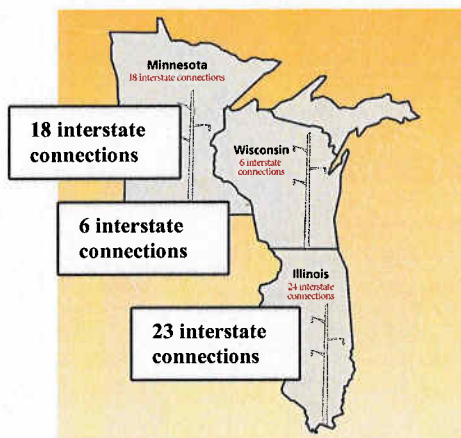
Proposal provides savings in energy costs, levels market playing field for local utilities

MADISON, Wis.—American Transmission Co. is proposing a project to construct a new 345-kilovolt electric transmission line in south central Wisconsin on existing transmission right-of-way that will complete a connection to Illinois and allow local distribution companies access to lower-cost power produced in the region. The company yesterday filed an application with the Public Service Commission of Wisconsin seeking approval for the project between the Rockdale Substation in the Town of Christiana in Dane County and the Paddock Substation located in the Town of Beloit in Rock County.

The proposed power line, called Paddock-Rockdale, is the first access project within the footprint of the Midwest Independent System Operator (MISO) that is justified on economics. All transmission projects have elements of both reliability and economics. ATC's projects in recent years have been constructed to address weaknesses on its transmission system and resolve reliability issues. "While enhanced reliability will be realized with the project, the primary benefit of the project is to provide our customers' access to cheaper power in the region," explained Flora Flygt, director of Planning for ATC.

ATC's regulatory filing followed more than two years of analysis and evaluation. "We started this process with at least six possible access projects," explained Flygt. The six possible projects were narrowed down to the Paddock-Rockdale project through an initial process involving extensive stakeholder input and an "Access docket" at the Public Service Commission of Wisconsin. "To further evaluate Paddock-Rockdale, we used a sophisticated approach that factored in different scenarios and drivers like fuel costs, new and retired generation, economic growth, and costs of environmental regulations. This process allowed us to quantify the costs and benefits of the project in a wide range of plausible futures." The Paddock-Rockdale project performed very well from a cost-benefit standpoint under a variety of conditions and scenarios and will be built almost entirely on existing transmission line rights-of-way.

According to Flygt, in six of the seven scenarios studied, the new line could yield a 40-year net savings on the low end of \$100 million and up to almost \$1.0 billion on the high end. "A sluggish or unstable economy is the only scenario that would fail to provide cost savings sufficient to cover the cost of the project," added Flygt. On an annual basis the savings could be between \$7 million and \$125 million.



Wisconsin has only limited transmission line connections to other states compared to its neighboring states. "This limits the ability of electric utilities to access wind energy or lower-cost sources of electricity from other regions," explained Flygt. "Timing is important. Our in-service target is 2010, which coincides with the expiration of some of the federal market protection for our footprint. Supporting a more competitive market for utilities will translate to saving to consumers."

Over the life of the transmission line, the savings include:

- Reduced generation costs, including fuel. The project gives utilities flexibility when fuel prices fluctuate and allows utilities to choose from a greater array of regional generation options.
- Reduced energy losses. High-voltage lines are more efficient and experience less losses compared to lower-voltage lines.
- Increased competitiveness. A more competitive market will help control and lower prices compared to a market where power purchase choices are limited.

The regulatory application includes two possible locations for the new 345-kV circuit, and both make use of existing transmission line corridors. The route that ATC has designated as its preferred route follows an existing 345-kV utility corridor. The route designated as the alternative route option follows existing 138-kV and 69-kV transmission lines, which run parallel to the existing 345-kV line two miles east. "Under state law, the PSC will review and consider both routes in the construction application," said Flygt.

A decision from the PSC is expected in 2008 for the \$133 million project. If approved, construction would begin in late 2008 and the line would be placed in service in 2010.

NOTE TO EDITORS: Documents and information about our Access Project can be found in the Documents and Reports section of our web site. A map of the Paddock-Rockdale project is available either on our web site or by contacting Annemarie Newman.

ATC owns, plans, constructs, operates, maintains and will expand its transmission facilities to provide adequate and reliable transmission of power. ATC provides nondiscriminatory service to all customers, supporting effective competition in energy markets without favoring any market participant. A member of the Midwest ISO, ATC owns approximately 9,100 miles of transmission lines and 480 substations with a total investment of \$1.8 billion in facilities in portions of Wisconsin, Michigan, Minnesota and Illinois. For more information, visit our Web site at www.atcllc.com