



Corporate Update 2012 U.P. Energy Summit

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Helping to **keep the lights on**,
businesses running and communities strong®



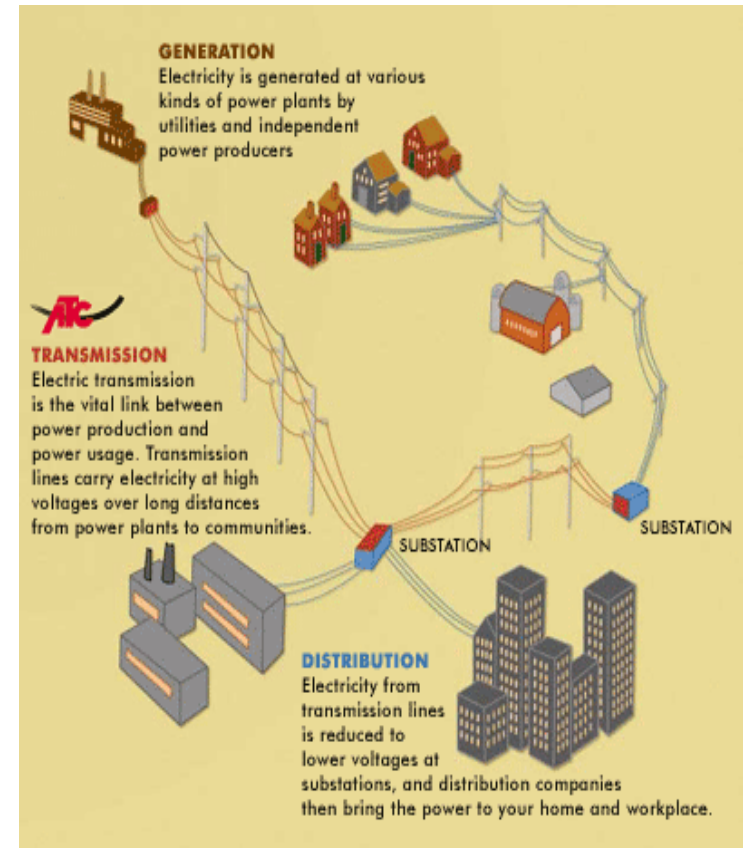


Objectives

- Transmission Drivers
 - Reliability
 - Economic
 - Public Policy
- Regulatory Update
 - FERC Order No. 1000
- Strategic Initiatives

The Link Between Resources and Customers

- \$365M invested to date (Michigan), \$300-\$400M next ten years
- Transmission costs are about 10 percent of a retail customer's electric bill

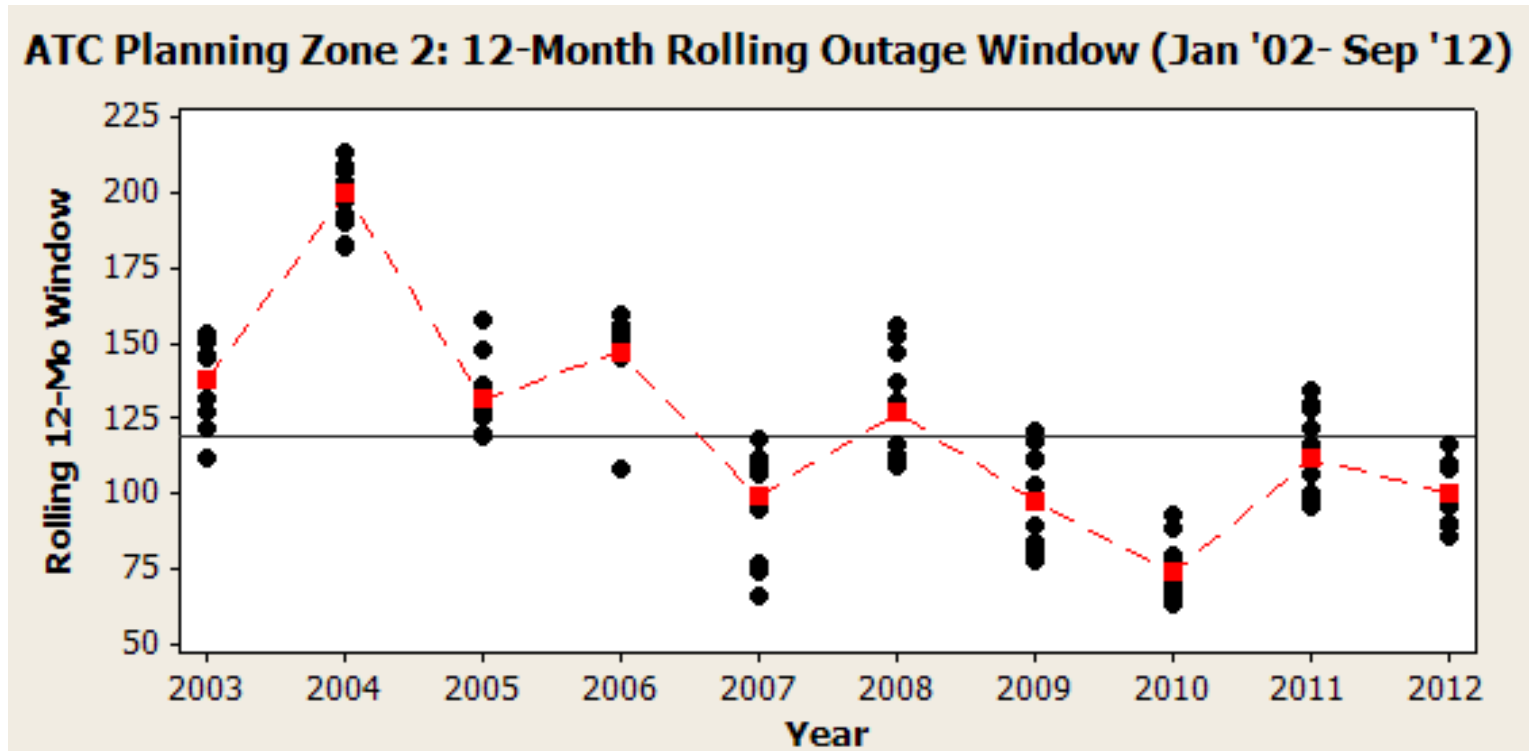




Transmission Driver - Reliability

- System Performance
- Customer input
 - Load forecasts
 - Generation assumptions
- Asset management
 - Age
 - Condition
 - Mandatory reliability standards compliance

ATC Planning Zone 2: Forced Outage History (2002-2012)



2012 SGS Study

ATC Rankings Based on Average Circuit Outages

ATC Rankings Based on Average Circuit Outages (Automatic)						
Voltage Level	# of Circuits	2011	2010	2009	2008	2007
All Voltages	744	1st Quartile	1st Quartile	1st Quartile	1st Quartile	1st Quartile
69kV	310	1st Quartile	1st Quartile	Top Decile	1st Quartile	1st Quartile
100-161kV	386	Top Decile	Top Decile	Best in Class	Top Decile	Top Decile
230kV	2	N/A	N/A	Best in Class	Best in Class	4th Quartile
345kV	46	Top Decile	Top Decile	2nd Quartile	2nd Quartile	2nd Quartile
Total Forced Outages		506	443	369	498	517

Note: 100% of ATC's System is rated as 1st Quartile (top 21% of study)

Source Data - SGS Benchmarking Studies (average 24 systems and 48% of US transmission grid)



Transmission Driver - Economic

- There is a market for energy
 - Administered by the MISO
- Improved access to the wholesale energy market
 - Increased import capability by 750 MW
 - Approximately 125 MW reduction in losses
 - Locational marginal prices
 - 20% higher per MWh in 2005
 - 1% difference by 2012



Transmission Driver – Public Policy

- Renewable Portfolio Standard Policies
 - MI in 2008 (10% by 2015)
 - WI in 2006 (10% by 2015)
- Result
 - Wind
 - 2005 – 30 MW
 - 2012 – 665 MW (29 in U.P.)
 - Biomass
 - 20 MW conversion (L’Anse Warden Electric Company)
 - 50 MW under construction
 - Several conversions proposed

Regulatory Update - Order No. 1000

FERC Cracks Open Competition For Grid Projects

BY JEFF BEATTIE

In a sweeping and controversial reform to the way power lines are planned and paid for in the United States, the Federal Energy Regulatory Commission released a final rule Thursday that makes it easier for independent developers to compete with incumbent utilities to build new power line projects and lays out clear conditions under which grid owners

- Regional Planning
- Cost Allocation
- Non-incumbent Developer Requirements
- Compliance



ATC Perspective – Order No. 1000

- ATC has focused on ensuring certainty and clarity in the inter-regional planning
 - We need to “look across” the seams
- Who pays matters
 - Costs allocated “roughly commensurate” with estimated benefits is appropriate
 - Those who do not benefit do not pay
- For certain transmission needs, we think competition is appropriate
- ATC is revising its local planning process to address requirements
 - Public policy requirements



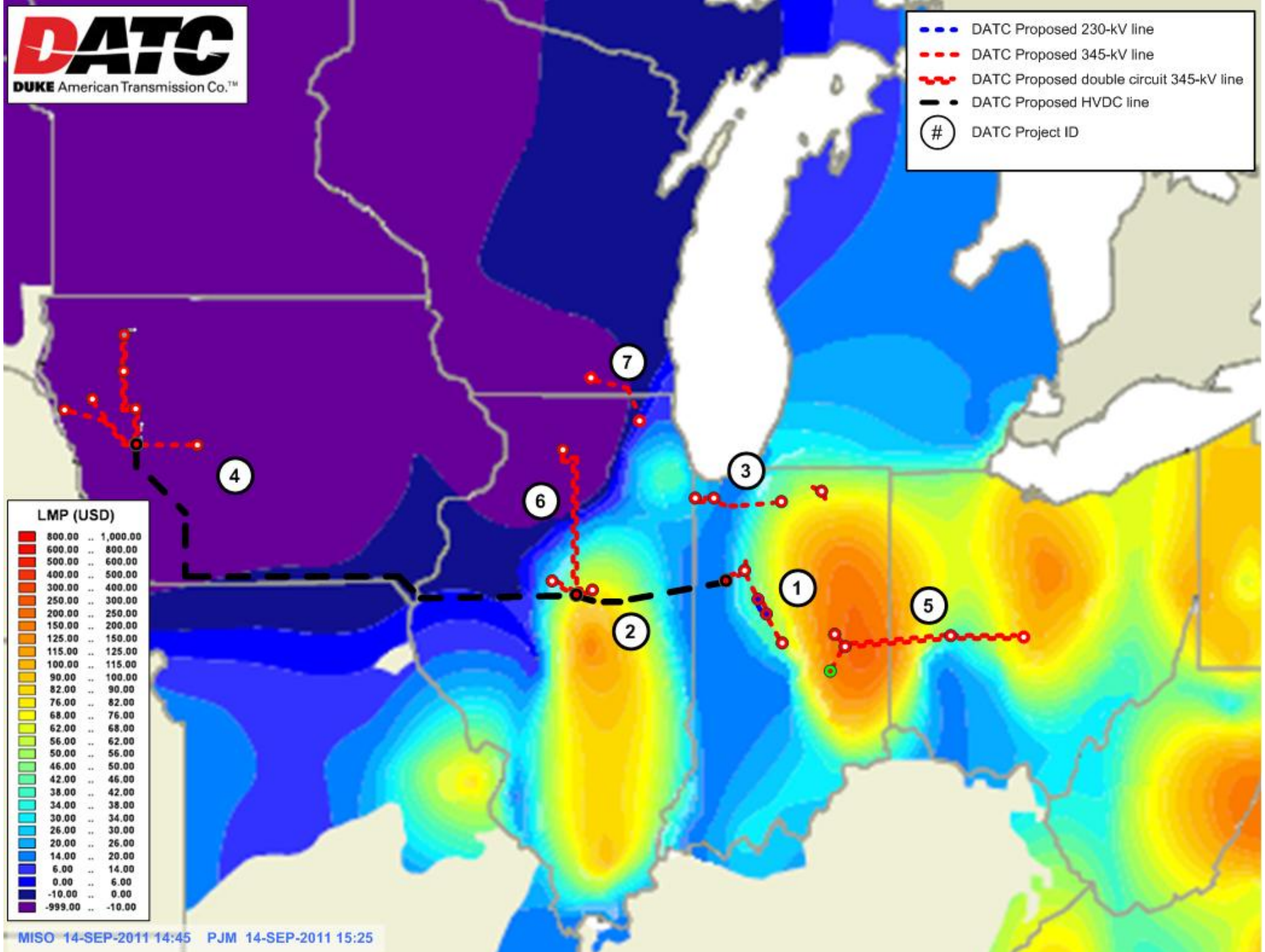
ATC Strategic Focus

- Strengths
 - planning
 - routing and siting
 - construction
 - maintenance
 - operations
 - customer service
- Look for opportunities outside of traditional footprint
 - asset contributions
 - develop new projects
 - partnerships

Duke-American Transmission Company

- Partnership formed in April 2011
- Important step in advancing ATC's growth strategy
- Seven projects across a five-state region
 - Projects total \$4.2 billion
 - Provide a combination of regional reliability, public policy requirements and economic value
 - Sequenced implementation
- Next Step – Pursue MISO approval

- DATEC Proposed 230-kV line
- DATEC Proposed 345-kV line
- - - DATEC Proposed double circuit 345-kV line
- DATEC Proposed HVDC line
- # DATEC Project ID



LMP (USD)

800.00	..	1,000.00
600.00	..	800.00
500.00	..	600.00
400.00	..	500.00
300.00	..	400.00
250.00	..	300.00
200.00	..	250.00
150.00	..	200.00
125.00	..	150.00
115.00	..	125.00
100.00	..	115.00
90.00	..	100.00
82.00	..	90.00
76.00	..	82.00
68.00	..	76.00
62.00	..	68.00
56.00	..	62.00
50.00	..	56.00
46.00	..	50.00
42.00	..	46.00
38.00	..	42.00
34.00	..	38.00
30.00	..	34.00
26.00	..	30.00
20.00	..	26.00
14.00	..	20.00
6.00	..	14.00
0.00	..	6.00
-10.00	..	0.00
-999.00	..	-10.00

- ATC transmission investment decisions:
 - Your input/feedback is important!
- Evolving Regulatory Environment
 - Certainty, clarity and transparency important
 - Costs matter, Who pays matters
- Strategic direction
 - Grow business
 - We will not be successful if we do not maintain a high level of customer satisfaction



QUESTIONS