



Network Customer Meeting

June 26, 2008

Regulatory Update

Table of Contents

- FERC Annual Charge Assessment
- Cross-Border-II (PJM-MISO Economic Projects)
- Capacity Benefit Margin Set-Aside Adjustment
- Schedule 2-A (Reactive Supply and Voltage Control from Generation)
- Black Start Tariff Provisions
- TO Review of Transmission Owners Agreement
- Post-Transition Period Revenue Distribution
- MISO's RECB Workshops
- ATC's Appendix I Filing

FERC Assessment

FERC Docket No. AD08-7

- ATC joined with the other MISO Transmission Owners in calling for the Commission to reform its annual charge assessment policy in a more equitable manner.
- The TOs have advocated for utilities outside an ISO or RTO to be assessed for retail load, the same as those utilities inside such organizations today.
- Based on comments in this proceeding, the Commission is likely to issue a formal Notice of Proposed Rule-Making (NOPR).

Cross-Border II Status

Inter-RTO Allocation for “Economic Projects”

- MISO and PJM held a second stakeholder meeting in Carmel on June 16th and presented a “straw proposal.”
- The two RTOs will take the comments and turn around another draft proposal.
- FERC filing on Cross Border II is due August 1st, 2008.
- It’s likely that an Extension of Time will be requested by the two RTOs.

RTOs' Cross-Border II Straw Proposal

- Must candidate projects pass planning criteria in each RTO as well as the Combined region? **Yes**
- What ought to be the thresholds for inter-RTO cost-sharing: (1) voltage; (2) capital costs? **100 kV and \$20 million capital cost**
- What ought to be the Benefit-Cost Ratio employed to gauge the merits of each candidate project? **1.25**
Should it have to benefit each RTO or merely the Combined Region taken as a whole? **All three**
- What ought to be the evaluation period for testing candidate “economic projects? **15 years following In Service Date**

RTOs' Cross-Border II Straw Proposal (cont.)

- What metrics ought to be used for the economic evaluation? Production Cost Savings? Load LMP? Generation LMP? Should LMPs be net of associated ARRAs? **Adjusted Production Cost and Net LMP (Load)**
- If multiple metrics are used, what should be their relative proportions in the analysis? **70%-30%**
- What discount rate should be used for the Net Present Value calculations? **Tie to TO RoR**

RTOs' Cross-Border II Straw Proposal (cont.)

- What modeling assumptions should be used? (fuel costs, generation expansion and retirements, load growth, carbon.....) **Yes!**
- What kinds of sensitivity analyses should be conducted? Around what variables? **TBD**
- Should both capacity and energy benefits be measured (PJM) or just energy (MISO)? **Only Energy (due to absence of MISO capacity market)**
- Should the cost allocation be granular down to each Pricing Zone or just to each RTO? **CB-II process will allocate to each Pricing Zone**

Capacity Benefit Margin Set-Aside

- In the order conditionally accepting the MISO TO's No. 890 compliance filing, FERC disagreed with the TOs' contention that it's not necessary to reduce point-to-point rates to account for the lack of CBM.
- Adding average CBM to the PTP denominator may reduce the ceiling rate 1.3% (about \$900,000 per year, MISO-wide).
- The VITO/MSAT filing is due August 13th.

MISO Schedule 2-A

Compensation for Reactive Power

- Schedule 2-A would only compensate for reactive power supplied/absorbed outside the G-T specified power factor deadband.
- FERC made it clear that Schedule 2-A would only apply to new G-T agreements.
- Unaffiliated generators favor Schedule 2.
- Do we have consensus within the ATC footprint respecting Schedule 2 vs. 2-A?

Black Start Tariff Provisions

- MISO's Reliability Subcommittee and Market Subcommittee have reviewed MISO's evolving proposals.
- Charges for black start service, according to rate "Schedule 33" as currently drafted by MISO, would be based on reimbursement of costs or contracted amounts.
- Provision of black start service by generators is voluntary under the proposed Schedule 33.
- ATC proposed new "Module G" to comprehensively address black start issues, including G-T interconnection template modifications. MISO's tariff provisions, while improved over earlier versions, remains a piecemeal approach.

Transmission Owners' Agreement

- A small team of TO representatives have been reviewing the TOA to bring it up to date.
- Many editorial changes, e.g., remove references to the past “Transition Period” and initial MISO set-up & operations.
- Compile a list of substantive issues to review, such as stakeholder representation on the Planning Advisory Committee.
- Report to parent TO Committee due in July, with a FERC filing expected in late October.

Post-Transition Transmission Revenue Distribution

- FERC on May 12 approved the Transmission Owners' request to revise the Transmission Owners Agreement to indefinitely retain the current revenue distribution method for network service and point-to-point service.
 - This addresses the concerns ATC had with shifting to a different method now that the transition period ended on Jan. 31.
- FERC is still expected to rule on Ameren's request for rehearing of the Feb. 1 order that approved the Transmission Owners' initial request to change the tariff to impute transmission revenues that are collected in bundled retail rates.

MISO RECB Workshops

- MISO has been conducting a series of workshops to discuss the effectiveness of and unintended consequences related to RECB I & II.
- The workshops are a forum for stakeholders to provide feedback that will be used by MISO in:
 - Determining an interpretation of the approved tariff regarding six RECB I “implementation issues.”
 - Developing an assessment of RECB I & II that is due to FERC in August.
 - Addressing other issues related to regional cost allocation, including a concept of RECB-eligible projects receiving cost sharing to only a certain level depending on how the project was built.

ATC Appendix I Filing

- Appendix I Agreement with MISO
- Agreement serves as supplement to TOA
- FERC filing made on June 20
 - Seeking recognition as “operationally independent”
- Codifies current ATC practices (i.e. billing, interconnection studies)
- Provides flexibility for future scenarios

ATC Appendix I Filing

- Filing is **NOT**:

- Prelude to ATC governance changes
- Method to make MISO withdrawal easier
- Method to avoid RECB costs
- Attempt to gain ROE adders

- FERC ruling anticipated in September

- ATC day-to-day operations will remain the same regardless of FERC's determination