Forward-looking and forward-thinking defined ATC’s accomplishments in 2011. While we continued to build upon our proven record in transmission planning, construction and operations, we took the bold step of moving our business forward into new areas of growth.

In April, we announced our joint venture partnership with Duke Energy to form Duke-American Transmission Co., to build, own and operate electric transmission in North America. In Duke, we have a strong partner with ties to regions outside of ATC’s service area. As a joint venture, DATC is expected to leverage each company’s strengths in all areas of electric transmission – planning, procurement, construction and regulatory success – to get needed projects completed and in service.

In the second half of 2011, DATC unveiled two major initiatives – the first, a set of seven projects across five Midwestern states that includes more than 1,800 miles of transmission lines, and the second, the acquisition of the Zephyr Power Transmission Project, which will stretch 950 miles between Wyoming and southern Nevada. Together these projects are valued at nearly $8 billion and will serve the industry and electric consumers well by closing gaps in the existing grid, improving electric system reliability and market efficiency, providing economic benefits to local utilities, and enabling increased delivery of high-quality renewable resources.

ATC also moved forward in operating and upgrading our existing system within our four-state service area. We surpassed the $3 billion mark in total assets, and announced plans for $3.8 to $4.4 billion in new or upgraded lines and facilities in our 10-Year Transmission System Assessment.

Our assessment includes three major projects – the 150- to 170-mile Badger Coulee line in western Wisconsin, the 125-mile Cardinal Bluffs line from southwestern Wisconsin to Iowa, and the Pleasant Prairie-Zion Energy Center line connecting southeastern Wisconsin and Illinois. In December, MISO designated these as Multi-Value Projects, which deliver combinations of reliability, economic and public policy benefits across the Midwest. This distinction represents a resounding affirmation of our company’s outstanding record and proven ability to maximize the value of our projects.

In 2011 we also moved forward with our continuous improvement efforts, achieving approximately $3.3 million in cost savings while increasing efficiencies, improving processes and reducing waste. Operationally, we began installation of smart grid technology to increase information intelligence of our transmission operating system, and we improved the reliability of the transmission system by enhancing our cybersecurity systems and processes. We maintained our excellent record of environmental stewardship, culminating with LEED® Gold certification for our headquarters building in Pewaukee, and we continued our successful practice of strong public outreach and community involvement.

ATC’s actions, aligned with our company vision of just three words – Stakeholders Choose Us, are paving the way for a stronger position in the transmission business, preparing us for the challenges of the future and placing us at the gateway of an exciting new phase in our company’s history.

In 2011, we formed a joint venture with Duke Energy, and DATC announced seven proposed projects in five Midwestern states totaling 1,800 miles and the acquisition of the 950-mile Zephyr Power Transmission Project to move high-quality wind between Wyoming and southern Nevada.

Sincerely,

John Procario
President, Chief Executive Officer and Chairman of the Board
American Transmission Co.
Moving forward
Maintaining excellent service, top reliability performance

In 2011, ATC continued to maintain top reliability performance serving our customers while upgrading and strengthening our system to ensure continued excellence. We moved forward with our most ambitious 10-Year Transmission System Assessment ever – calling for $3.8 to $4.4 billion in improvements. The projects in the assessment reflect the trend toward more regional planning that will not only increase regional electric system reliability but also will strengthen bulk electric markets while bringing on new renewable sources of electric generation.

We began construction on three electric system reliability projects – Rockdale-West Middleton in Dane County, Brodhead-South Monroe in Green County and Clear Lake-Woodmin in Oneida and Vilas counties. We also continued construction on the Canal-Dunn Road project in Door County. But the lion’s share of our efforts supporting projects this year focused on public outreach and regulatory phases. We held open houses for five proposed projects potentially impacting dozens of communities and thousands of stakeholders across our service area and beyond. Notable among these were eight open houses over two weeks for the Badger Coulee project, which drew more than 2,300 western Wisconsin residents.

We began strengthening our system in another significant way in 2011: implementation of projects funded in part by an $11 million U.S. Department of Energy smart grid grant to enhance communications between our substations and system operations centers. We began the process of installing more than 100 miles of fiber optic cable and more than a dozen satellite dishes that ultimately will connect 65 substations into our data network – creating a more connected communications network to help increase reliability and system awareness for our operators.

A second DOE grant for $1.3 million is helping to fund the installation of phasor measurement units that record 30 data samples per second and, when combined with data-processing software, will give operators much more information about what is happening on the grid. This will lead to improved system management, including the ability to better monitor the variable supply of wind generation as it comes onto the system. The 40 phasor measurement units planned for ATC’s service area also will serve as part of a larger effort by MISO to utilize the devices across the Midwest to more effectively monitor and operate the regional grid.

Another project improving the reliability of ATC’s system is the implementation of enhanced cybersecurity systems and processes. ATC – and the electric sector as a whole – is moving forward to raise the security profile of its key sites determined to be critical to the operation of the nation’s electric grid.

December 2011 marked a significant milestone in ATC history: 1 million hours worked by our employees without a recordable injury.

The accomplishment reflects the emphasis we have placed on safety since our founding in 2001: Safety is our No. 1 priority in the office and on job sites. A safety topic is discussed at the beginning of every office meeting. In the field, an on-site job safety briefing is conducted each day to make sure our employees and contractors understand and anticipate any hazards that might arise.

Other safety milestones we reached in 2011 include:
- December 2011 marked the 22nd consecutive month that ATC alliance contractors worked without a lost-time injury.
- Crews for alliance contractor MJ Electric reached a monumental safety milestone, working more than 300,000 hours on major transmission line rebuilding projects, substation additions and modifications without a recordable injury.
- We were notified in 2011 that we had received the 2010 Outstanding Achievement Award for Excellence in Safety from the Wisconsin Safety Council. The Council recognized ATC’s teamwork approach to safety, noting that our safety ethic is shared by employees, contractors and the local electric distribution companies that perform work for us.
- We rolled out our first contractor “Zero Injury Forward Orientation,” a 10-minute video that highlights best practices, major industry hazards and ATC’s expectations for continuing safety. The safety orientation represents a critical element of a successful zero-injury program.

Best foot forward
Employees keep working safely, reach 1 million hours without a recordable injury

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- Crews for alliance contractor MJ Electric reached a monumental
ATC’s team of experts in energy management systems, metering and controls, system protection, information technology and corporate security have been hard at work designing, testing and installing these enhanced security strategies. ATC employees and contractors in key parts of our service area have undergone training in the new security practices and procedures. While the job of keeping ATC’s critical cyber assets secure is never done, the implementation of these security enhancements is making for a more secure system and will continue over the next several years.

Moving forward (cont’d)

With mandatory electric transmission reliability standards, regional market economics and public policy initiatives for greater use of renewable resources influencing transmission planning, ATC set an ambitious course for the future. Our 2011 10-Year Annual Transmission System Assessment calls for $3.8 to $4.4 billion in new and upgraded transmission lines and facilities in our service area through 2020. Three 345-kilovolt projects – Badger Coulee, Pleasant Prairie-Zion Energy Center and Cardinal Bluffs – received Multi-Value Project (MVP) status from MISO, and as MVPs, are expected to help yield benefits from 2 to 3.3 times their costs for our customers while delivering reliability, economic and public policy benefits across the 12-state MISO region.

Additionally, we are participating in several regional studies to identify the transmission needed to integrate renewable generation, including wind. We are working closely with MISO and generation owners to anticipate reliability impacts to our system from possible future generation retirements, and we have 19 active generator interconnection requests in our queue, with many of those reflecting the growing development of wind generation resources.

Effective management of existing assets plays a significant role in our planning strategy, with equipment life cycles and replacement plans driven by safety, regulatory compliance, reliability performance and environmental stewardship. Our 2011 10-Year Assessment includes $1 billion in asset maintenance plans.

Fast forward

Annual 10-year outlook most ambitious yet

The MVP designs affirm ATC’s ability to successfully navigate the numerous technical considerations and identify projects that yield economic savings more than offsetting the costs of construction. Those technical considerations include:

- economic impact of transmission congestion,
- mandates by state governments for increased use of renewable generation resources,
- pending Environmental Protection Agency regulations that could hasten the retirement of older power plants,
- enforceable and mandatory reliability standards from the North American Electric Reliability Corp., and
- integration of new technologies.

The 2011 projects at a glance

**Began construction**

1. Rockdale-West Middleton – 32-mile, 345-kV line serving Dane County
2. Brodhead-South Monroe – 18-mile, 69-kV line rebuild serving Brodhead and Monroe areas
3. Clear Lake-Woodmin – 7.2-mile, 115-kV line serving Minocqua and Woodruff areas

**Continued construction**

4. Canal-Dunn Road – 8-mile, 69-kV line serving northern portion of Door County
5. Barnhart-Branch River – 345-kV network in eastern Wisconsin
6. Western Milwaukee County Electric Reliability Project – 138-kV lines to reinforce the system and serve proposed new substations in Milwaukee County
8. Pleasant Prairie-Zion Energy Center – 5.3-mile, 345-kV line connecting and strengthening transmission in southeastern Wisconsin and northern Illinois

We held open houses for five proposed projects potentially impacting dozens of communities and thousands of stakeholders across our service area and beyond.

**Public outreach/regulatory phase**

8. Badger Coulee – 150- to 170-mile, 345-kV line and new substation to upgrade and reinforce the grid in western Wisconsin and the region

We held open houses for five proposed projects potentially impacting dozens of communities and thousands of stakeholders across our service area and beyond.
Forward-looking
Extending our environmental commitment from the workplace to the field

Whether it’s our transmission line projects, our involvement in the community, or our sight-of-way maintenance activities, protecting the environment is a priority that is aligned closely with the way we conduct our business every day.

ATC’s recycling activities took a major step forward in 2011 as we worked with our contractors to identify more opportunities for recycling of leftover construction materials. The result was the reuse or recycling of 90 percent of the 2,393 tons of materials including various metals, glass, wood, concrete and cardboard, which translated into more than $285,000 in savings.

In October, we announced a commitment to the Natural Resources Foundation of Wisconsin to assist state managers in restoring the health of five properties across the state:
- Lodi Marsh in Dane County
- Pine Island Savanna in Columbia County
- Van Loon Savanna in La Crosse County
- 21.5 miles of the La Crosse River Trail Prairies, which connect with the fifth property
- Great River Trail Prairies

ATC also supported conservation of private lands in Wisconsin by sponsoring the Leopold Conservation Award, which recognizes landowners who exhibit leadership in conservation and a strong land ethic.

ATC’s recycling activities took a major step forward in 2011 as we worked with our contractors to identify more opportunities for recycling of leftover construction materials.

We began using avian interaction data to analyze trends when operating, planning and rebuilding, and we also introduced a new, informative brochure to enhance public education and outreach. In 2011, we maintained our designation as a Wisconsin Green Tier company for the sixth consecutive year and as a Tree Line USA utility for the second consecutive year.

In our Pewaukee, Wis., headquarters building received LEED® (Leadership in Energy and Environmental Design) Gold certification from the U.S. Green Building Council. The building and site boast numerous environmentally friendly features.

- The landscape surrounding the headquarters building is dedicated to open, undeveloped space with native prairie plantings, bioswales and bio-infiltration basins that capture the water from parking lot run-off.
- The native landscape theme extends to the main building’s roof, parts of which are covered with interlocking vegetative trays containing drought-tolerant plant species. The vegetation enables the roof to absorb a tremendous amount of rainfall while providing an excellent layer of insulation.
- A highly reflective white membrane covers other roof sections and diverts much of the infrared radiation typically absorbed by buildings, thus helping to reduce the overall heat load. A 50-kilowatt photovoltaic array, which can generate up to 61,000 kilowatt hours annually, rounds out the roof-scape.
- The building’s energy efficiency exceeds that of a typical baseline office building by 32 percent while offering a view to the outside for 93 percent of the regularly occupied space and outside air ventilation for occupied spaces 30 percent beyond the minimum standard.
- During construction, 89 percent of waste materials were recycled, and of the construction materials used, 20 percent consisted of recycled content.
ATC continued in 2011 as an industry leader for community support and outreach. We engaged more than 5,000 citizens for proposed transmission line projects. We set a record for United Way fundraising with a spirited company-wide effort. Our employees volunteered for and supported numerous community projects throughout the year. The company matched employee donations to local school, arts, environmental and community programs. We also took steps to support the development of our industry’s future workforce by supporting educational programs and scholarships.

ATC’s corporate giving program supported more than 300 organizations, programs and events in communities where ATC employees live and work. The support ranged from the American Red Cross and the Ronald McDonald House to Great Lakes Pond Hockey’s Annual Classic and the Madison Jazz Society. United Way giving surpassed the $100,000 mark for the first time with an assist by the company’s match of 25 cents for every dollar donated, benefiting United Way organizations in Greater Milwaukee and Brown, Dane and Waukesha counties in Wisconsin, and Dickinson County in Michigan.

ATC supported efforts to strengthen the future pool of electric industry workers by donating a 138-kilovolt circuit breaker to Moraine Park Technical College in Fond du Lac, Wis. Students enrolled in the school’s Electric Power Delivery program will have the unique opportunity to work with the massive device as part of substation and general electric system training. We supported the Wauwatosa School District’s “Project Lead the Way,” which provides science, technology, engineering and mathematics curricula to middle and high school students and engages them in activities and projects that offer hands-on classroom experience. We also signed on as an “Ultra-violet” sponsor for the Oshkosh Community Foundation’s Wave Robotics program, a six-week challenge that requires students to think like scientists and engineers by designing and fabricating a fully functional robot for regional competition.

Our employees contributed time, effort and donations in their communities to help those in need. Employee efforts this year included clothing drives, collection of backpacks, books and school supplies, and holiday gifts for local children and families. In addition, employees paid to purchase their old desk chairs and donated the proceeds – more than $4,200 – to Big Brothers Big Sisters, Second Harvest Food Bank and Paul’s Pantry.
Leaping forward

ATC sets industry standard when it comes to economics of transmission

During the past 11 years, ATC has been successful in identifying and developing transmission projects that provide maximum economic benefits to our customers and, in turn, to electric consumers. Our customers – electric distribution utilities, independent power producers and power marketers – compensate us through MISO for transmission delivery service, and MISO recently affirmed our economics expertise in its long-term Midwest Transmission Expansion Planning process. The system operator designated three of our current major transmission line efforts – Badger Coulee, Cardinal Bluffs and Pleasant Prairie-Zion Energy Center – as Multi-Value Projects.

According to MISO, electric consumers in the region will realize economic benefits from MVPs ranging from 1.8 to 3 times their costs, with an expected average annual return on investment of more than $2 for every $1 spent. Consumers in ATC’s service area will see even greater benefits.

ATC’s successful economic transmission planning is due in large part to our evaluation of the impact of regional transmission congestion on wholesale power prices. We develop projects that generate economic savings by reducing congestion and increasing access to more affordable power outside of our service area. Our system engineering improvements provide further savings by addressing line loss and other inefficiencies.

Our approach reflects the value proposition of MISO’s designated MVPs. Here’s how each of our MVPs is expected to yield economic benefits to electric customers in the region:

- **Badger Coulee** – will provide greater access to the wholesale electric market, improve grid efficiency, connect to high-quality renewable resources and provide potential for $230 million to $962 million net economic benefit over 50 years.
- **Cardinal Bluffs** – will provide greater access to the wholesale market, improve grid efficiency and connect to high-quality renewable resources in the nation’s western wind alley.
- **Pleasant Prairie-Zion Energy Center** – will facilitate regional access to power and alleviate transmission congestion in three states, enabling the most efficient regional access to power and alleviate transmission congestion in three states, enabling the most efficient dispatch of operating reserves, increasing flexibility in future regional planning, help avoid costs for reliability projects that otherwise would need to be built, address environmental regulations that pose capacity challenges, provide greater capability to transfer capacity from outside of MISO’s footprint and increase price transparency.

In addition to these benefits, all MISO MVPs are expected to bring more efficient dispatch of operating reserves, increase flexibility in future regional planning, help avoid costs for reliability projects that otherwise would need to be built, address environmental regulations that pose capacity challenges, provide greater capability to transfer capacity from outside of MISO’s footprint and increase price transparency.

Lean forward

Employee continuous improvement efforts create efficiencies and savings

ATC employees in 2011 saved almost $3.3 million through continuous improvement efforts, increasing efficiencies and improving processes. Below are some of these improvements:

- Partnered with generation owners serving our system to more efficiently maintain and exchange generator operating information to better ensure overall reliability.
- Improved efficiencies in System Planning and Operations that allow us to do more without adding headcount to perform functions that support increased compliance demands.
- Reduced cost of substation inspections by evaluating risk and revising the program without sacrificing quality, reliability or safety.
- Established a new in-house engineering group to reduce costs, enhance employee development and in-source intellectual capital.
- Improved engineering design and purchase of equipment processes for major projects by improving collaboration between design engineers and equipment vendors that enabled ATC to time purchases appropriately to minimize cost.
- Reformatted public outreach direct mail to reduce printing and mailing costs.
Leadership

Executive team

(LEFT TO RIGHT): Daniel Sanford, Acting General Counsel and Corporate Secretary | Carol Chiao, Vice President and Chief Operating Officer | Mike Hofbauer, Vice President, Chief Financial Officer and Treasurer | John Procario, President, Chief Executive Officer and Chairman of the Board | Randy Satterfield, Vice President, Public Affairs and Human Resources | John Flynn, Vice President, Strategic Planning and Business Development | Mike Rowe, Vice President, Construction and Asset Management

Corporate profile

ATC is a transmission-only electric utility. Meeting peak demand of 13,271 megawatts. Delivering 65,054 gigawatt hours of energy. Owner and operator of 9,440 miles of transmission line and 519 substations in 72 counties in four states: Wisconsin, Michigan, Minnesota and Illinois.


Ownership

ATC is a privately owned company. Utilities, municipalities, municipal electric companies and electric cooperatives from Wisconsin, Michigan, Minnesota and Illinois have an ownership stake in ATC.

www.atcllc.com

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Adams-Columbia Electric Cooperative
Algier Delta Cooperative Electric Association
City of Algoma
Badger Power Marketing Authority
Cental Wisconsin Electric Cooperative
City of Columbus
City of Kaukana
Madison Gas & Electric Co.
Mantinowcus Public Utilities
Marshfield Electric and Water Department
City of Oconto Falls
Ontonagon County Rural Electrification Association
City of Plymouth

Ownership

88%

12%

Ownership by investor-owned utilities

Ownership by municipalities, municipal electric companies and electric cooperatives

Debt ratings

Commercial Paper

Fitch: F1

Moody’s: P-1

S&P: A-1

Senior Notes

Fitch: A+

Moody’s: A1

S&P: A+
Helping to keep the lights on, businesses running and communities strong®