



HARRY L. TERHUNE
VICE PRESIDENT - OPERATIONS

March 7, 2005

RE: MISO's Response to American Transmission Company's (ATC) Day 2 Operational Readiness Concerns

Dear Customer:

This letter summarizes the action steps that MISO has taken or will be taking in order to respond to ATC's Day 2 Operational Readiness Concerns as raised in my letter to Roger Harszy, dated February 23, 2005. We are providing you with this information as a courtesy so that you are aware of the status of these issues.

Reliability Redispatch of Generators Owned by Non-Market Participants

ATC has developed a comprehensive list of generators within the ATC footprint indicating which generators are and are not registered as assets by Market Participants. MISO has agreed to work through the list of non-Market Participant generation resources to develop the procedures necessary to call on these resources during times of emergency. As the circumstances surrounding each non-Market Participant may be unique, MISO will be developing the appropriate procedure for each non-Market Participant on a case-by-case. ATC has requested that MISO prioritize its efforts in this regard according to geographical necessity and size. MISO will be starting with the largest non-Market Participant generation located in the most Narrowly Constrained Areas (with the greatest amount of anticipated congestion). In terms of the ATC footprint, this places the highest level of priority on generation assets located in the Upper Peninsula (U.P.) of Michigan. MISO will be working with each generation owner to identify the best method to operationally redispatch their unit(s) for reliability purposes as well as the best way to compensate that party for its actions. To date, MISO has met with the City of Marquette to discuss the merits of Marquette Board of Light and Power (MBLP) to register as a scaled-down Market Participant. MISO reports that MBLP is receptive to this idea and will be conducting additional meetings with MBLP and others to register as many of these parties as Market Participants as possible. Due to the timing of the market, the next asset registration period for the market model closes on March 27, 2005. Assets registered in the market by March 27th would be modeled in future software updates beginning in June 2005. Upon completing its activities in the U.P., MISO will shift its focus to non-Market Participant generation located elsewhere in the ATC footprint.

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Access to Day 2 Operational Data

MISO has responded to this request by providing ATC with a means to obtain all of the data items requested on its list. Where required, ATC is in the process of implementing the systems necessary to receive, retrieve and utilize the data in an automated fashion.

Completeness of the ATC System in the MISO Model

MISO confirmed that they do have a comprehensive representation of ATC's 69 kV facilities in its State Estimator (network) model.

ICCP Mapping of All Available 69 kV Data Points

MISO has made a commitment to map the remaining available 69 kV ICCP data points from either ATC and/or the Balancing Authorities within its footprint to improve the observability of ATC 69 kV facilities in the MISO State Estimator (network) model. ATC is working with MISO to complete at least a portion of this activity by mid-March 2005, so that at least some of the additional available 69 kV ICCP measurements for ATC facilities will be mapped in time to meet the deadline for MISO's next model update scheduled for mid-March. The additional points mapped into the model by this date will be in the production model in time to meet the start of the Day 2 market on April 1, 2005. This is a high priority issue for the 69 kV transmission facilities located in the UPPCo and MG&E footprints. Therefore, MISO will prioritize its activity to complete these two areas first. The current status in regard to mapping available ICCP data points is as follows:

UPPCo Area

48 out of 150 analog ICCP points (approximately 33%) and 65 out of 320 digital ICCP points (approximately 20%) that ATC makes available to MISO are mapped to the MISO network model.

MG&E Area

584 out of approximately 625 ICCP points (approximately 90-95%) that MG&E makes available to MISO are mapped to the MISO network model. In the case of MG&E, MISO is obtaining their ICCP data directly from MG&E. Long term, as the transmission owner/operator, ATC needs to make this data available to MISO. Therefore, at some point in the future, MISO will need to change its process to obtain transmission-related ICCP data points from ATC as the primary supplier of source data for the transmission facilities located in the MG&E footprint.

On a separate note, MISO has not modeled MG&E bypass switches or disconnects in its network model. Therefore, digital status points indicating a breaker in the open position will indicate a line out of service from MISO's perspective, even if there is a bypass switch and transfer bus activated to maintain flow on the line. This is a concern for ATC. Were MISO to model the additional 69 kV facilities including bypass switches and disconnects, the available pool of ICCP data grows to approximately 1,000 points.

Please note that the ICCP point statistics provided for UPPCo and MG&E above are estimated and not actual values.

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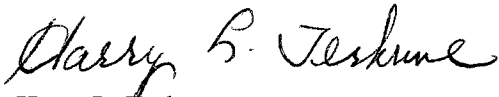
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Incorporation of Post-Contingency Actions into MISO's Constraint Binding Process

MISO is in the process of documenting its constraint binding process.

ATC is pleased with the responsiveness that the MISO staff has shown to date in addressing ATC's concerns. ATC will continue to work closely with MISO during this critical time period to ensure that the transition to the Day 2 market proceeds in as smooth a manner as possible.

Sincerely,



Harry L. Terhune
Vice President - Operations

cc: Roger Harszy, MISO
David Sapper, PSCW
Jim Torgerson, MISO
Dave Zwergel, MISO