



Regulatory Update

*ATC Customer Meeting
Pewaukee Wisconsin
August 25, 2005*

Inter-RTO “Cross Border” Cost Sharing

- Filing appeared on late July FERC Agenda, but was struck
- May be acted on by notational voting (this means the draft order is circulated among the Commissioners without a meeting)
- Discussions regarding “economic upgrades” will resume in early fall

Regional Expansion Criteria & Benefits Task Force (“RECB”)

Status:

- Scheduled for MISO Advisory Committee (AC) discussion in September
- FERC Filing is expected to be submitted by late September
- Discussions on how to allocate costs for “economic upgrades” to commence after current filing

RECB Current Proposal

- Projects > 345 kV
 - Regional Component: (postage stamp) 20%
 - Entire MISO footprint shares in 20% of the costs on a load ratio share basis
 - Sub-regional Component: 80%
 - Allocated on the basis of a load flow analysis known as “line outage distribution factor” (LODF)
- Projects >100 kV and < 345 kV
 - No postage stamp component
 - Subregional Component: 100%
- Projects < 100 kV
 - All costs are allocated locally

RECB cont'd

- Level Playing Field
 - Certain stakeholders have argued to limit regional cost-sharing on certain transmission systems until a minimum standard for level of service has been met – however this has not been able to be defined. Stakeholders voted to approve a list of “Planned” Projects, plus certain committed “Proposed” Projects that would not receive regional cost allocation.
- Regionally Beneficial Projects
 - (Also know as “economic projects”) – RECB will address these projects in the next round.

RECB Concluded

- Large Generation Interconnection:
 - (a) Direct Connect Facilities are assigned to the Generator Customer;
 - (b) 50% of the Network Upgrades are directly assigned to the Generator Customer; and
 - (c) 50% of the Network Upgrades will receive RECB cost treatment for reliability upgrades.
- Small Generation Interconnection:
 - Assigned to the local Pricing Zone if less than \$5 million.

Seams Elimination Cost Assignment (SECA)

- Direct evidence to be filed August 29th
- Discovery, including objections, is ongoing
- MISO TOs are engaged in settlement discussion to determine how to distribute revenues among pricing zones.

Rate of Return (ER02-485)

- The Commission allowed the Midwest ISO more time to determine refunds
- ATC is barely affected, because of its rate settlement with its customers.
- Only effect is our share of Point-to-Point revenues will be slightly reduced.

Balancing Authority (ER04-691)

- The Midwest ISO and the Transmission Owners had filed Schedule 23 as well as modifications to Schedule 1 (System Control & Load Dispatch).
- Protests were made and answers filed
- Filing awaits action on a compliance filing

Redirect Service – ER05-273

- MISO made revisions to EMT Section 22.1 to clarify its existing practice.
- The Commission allowed the changes to go into effect January 30th, subject to refund.
- DTET and Constellation opposed the changes
- MISO, DTET, Constellation and MSATs filed testimony. Staff will file on September 2nd.
- Cross Rebuttal due 9/23; hearing starts 11/29

ATC Access Initiative - Process

- ATC Access Update Filing submitted Aug 15th
- Intervenor & Public Comments due Sept 13th
- ATC Reply to Public Comments due Sept 29th
- PSCW Staff Report due October 31st
- All Comments on Staff Report due Nov 14th

Why an Access Project?

- Economic Development is crucial to Wisconsin
- The EHV system is a key element of our energy infrastructure.
- WUMS is the most constrained and congested system within the Midwest ISO footprint.
- Wisconsin is paying higher energy costs than its neighbors because it doesn't have the ability to effectively use the wholesale market
- An access project provides flexible options to load serving entities to adjust to unpredictable and changing market conditions

ATC's Possible Projects & Costs

- Low Voltage: \$33 million 161 kV (work is largely upgrades in Iowa)
- Paddock-Rockdale: \$69 M (345 kV) (South)
- North Madison-Byron: \$186 Million (345 kV) (South)
- North Madison – Salem: \$352M (345 kV) (South)
- Prairie Island – Columbia: \$640 Million (345 kV) (West)

What is ATC Seeking in the Filing?

- Additional access is a policy goal for the state
- It's in the interest of electricity customers for ATC to focus its efforts on developing one access project rather than develop competing projects

Which Projects Are the Top Contenders?

- Paddock – Rockdale
- North Madison – Byron
- North Madison - Salem

Lower Voltage Projects

- 161 kV improvements do not add to the 345 kV backbone system
- It is the lowest cost option
- Lowest annual energy savings (\$8.5 million)
- Requires no new rights-of-way
- Improves access to out of state renewables
- Few economic development benefits
- Doesn't improve geographic diversity

Byron – North Madison

- Lowest cost 345 kV project (\$186 million)
- Highest annual energy savings (\$16.7 million)
- Highest transfer capability (5,359 MW)
- Like North Madison – Salem, this project mitigates customer outage risks better than any other project
- But needs more ROW than all but Prairie Island – North Madison
- Scores low on geographic diversity, due to proximity to existing Paddock – Rockdale line.

Paddock - Rockdale

- Does not create new interstate interconnection
- Shortest (34.8 miles) and cheapest (\$69 M)
- Only 8 miles of new right of way
- Less potential for reserve margin reduction
- Shares common tower structures with an existing 345 kV line, increasing risk of loss due to storms, accidents, etc.
- Exacerbates ATC's lack of geographic diversity

North Madison - Salem

- Routing is through an area w/o 345 kV line
- Provides a connection to Iowa
- Scores high in geographic diversity, access to renewables, potential reduced reserve margins and decreased customer outage risks
- Second most costly project (\$352 million)
- Defers the need for other reliability projects in ATC's Ten Year Assessment

Prairie Island - Columbia

- Longest project (275 miles)
- Most expensive project (\$640 million)
- Provides the most benefits to adjacent systems