

Regulatory Update



Network Customer Meeting

November 17, 2005

Midwest ISO Redirect Case

FERC Docket No. ER05-273

- MISO's revisions have been supported by both the vertically integrated transmission owners (VITOs) and the transmission companies (MSATs)
- MISO's revision have been opposed by Constellation Energy, DTE Energy Trading and the Commission's Trial Staff

Redirect Case, Cont'd

- The principle issue is whether a time-of-use hourly rate should be applied to hourly redirects, since that rate may be substantially above the flat rate otherwise used. This is so because of the on-peak rate is the daily rate divided by sixteen (16) on-peak hours, not twenty-four (24) hours.

Redirect Case, Cont'd

- Technical hearings and Administrative Law Judge's Initial Decision will be waived
- Settlement discussions have been initiated; we don't know if they'll be successful
- If left to the Commission, resolution of this case may not occur until 2007.

Seams Elimination Cost Assignment “SECA” Rate Case



- Rebuttal Evidence was filed in late October
- Trial Staff Evidence due November 21st
- Cross Rebuttal Evidence due December 15th
- Rebuttal Evidence (Phase I) due January 16th
- Joint Stipulation of Issues due January 30th
- Discovery ends February 21st

“SECA” Rate Case, Cont’d

- The Administrative Law Judge must issue an Initial Decision by October 11, 2006
- Briefs on Exceptions and Briefs Opposing Exceptions will add two months
- SECA then becomes “ripe for decision” by the full Commission in 2007
- The inevitable requests for rehearing will add another six months before appellate review

Regional Expansion Criteria & Benefits Filing (Docket No. ER06-18)

- Filing was submitted October 7th
- Interventions and Comments filed 10/28
- MISO's Answer filed November 11th
- The case is now before the Commission; expect the Cross Border case to provide insight into how the Commission will decide this case

RECB, Cont'd

- ATC participated in Wisconsin Parties comments complaining about the Attachment FF-1 Exclude List
- ATC as an MSAT submitted comments that: (1) opposed participant funding and (2) pointed out that there ought to be no difference in cost allocation schemes between “reliability projects” and so-called “economic” (regionally beneficial) projects

PJM-MISO Cross-Border “Regionally Beneficial Projects”

- PJM & MISO committed to filing a proposal to allocate costs between the two RTOs, by June 1 2006
- MISO committed in its RECB filing to submit a cost allocation proposal by October 7th 2006
- MISO TOs met on Monday to consider cost allocation before meeting with PJM and its Transmission Owners later this month

*FERC's Open Access Notice of Inquiry
Docket No. RM05-25, or
Order No. 888 Revisited*

- Comments are due November 22nd
- ATC intends to file comments with MSATs
- ATC will likely file supplemental comments
- ATC wants to know what its customers think are the important questions to answer
- FERC has established a January 23rd reply comment date, to respond to initial comments

(Proposed) Transmission Outage Reimbursement – Attachment HH

- Transmission Owners Agreement Appendix E anticipated that TOs would get reimbursed if MISO orders rescission of planned outages
- MSATs are working with VITOs to derive a schedule similar to Generator Outage Reimbursement (MISO Attachment BB)
- Anticipate a FERC filing in two months.

MISO Schedule 2

Reactive Power from Generation

- FERC issued an order October 17th in MISO's compliance filing case ER04-961
- FERC directed that the proper scope for the charge was neither the MISO footprint nor the control area, but the Pricing Zone.
- Because the “needs test” was rejected, the VITOs are likely to request rehearing

MISO Schedule 2, Cont'd

- “self supply” by utilities rejected
- This means that all consumers are liable for the reactive compensation from independent power producers located within Wisconsin.
- MISO compliance filing due November 16th
- Parties may file comments on the compliance filing, probably due December 7th

MISO-ATC True-up Filing

ER05-1506

- This revision would allow ATC to return any surplus revenue from a calendar year to lower rates in the next year, rather than two years hence.
- We Energies proposed some clarifying language in the revised tariff sheets, changing a reference from 21 months of interest to 9 months.
- ATC agreed that We Energies' suggestions improved the text of the Tariff
- FERC should accept the proposal this month.

LG&E Seeks to Pull the Plug on MISO

- LG&E/KU says membership costs of MISO outweigh its benefits
- LG&E/KU is involved in a KY PSC proceeding to obtain permission to leave MISO
- MISO has advised its members that this may increase per unit costs by 4%
- LG&E/KU may pay MISO about \$40 million
- MISO & Members may litigate terms of departure

PJM Transmission Rate Design

FERC Docket No. EL05-121

- In June, some PJM parties filed a motion to pull MISO participants into these proceedings (“Joint and Common Market” justification)
- MSATs, among many other MISO parties, told FERC that would be a bad idea
- DTE/Consumers Motion to Strike rate design testimony on PJM-MISO “Combined Region” was dismissed by the Administrative Law Judge
- If June motion is granted, ATC’s customers can participate in future hearings on rate design.