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FILED WITH
Executive Secretary

July 1, 2014

IOWA UTILITIES BOARD

June 30, 2014

Ms. Joan Conrad, Executive Secretary
Iowa Utilities Board
1375 East Court Avenue, Room 69
Des Moines, IA 50319-0069

RE: Interstate Power and Light Company
Docket No. RPU-2010-0001
Compliance Filing - Transmission Report

Dear Secretary Conrad:

Pursuant to the Iowa Utilities Board's *Final Decision and Order* issued January 10, 2011, enclosed please find Interstate Power and Light Company's semi-annual report of its transmission-related activities in the above-referenced docket, as filed today on EFS.

Very truly yours,

/s/ Paula N. Johnson
Paula N. Johnson
Senior Attorney - Regulatory

PNJ/kjf
Enclosures

STATE OF IOWA

BEFORE THE IOWA UTILITIES BOARD

IN RE: **INTERSTATE POWER AND LIGHT COMPANY**	**DOCKET NO. RPU-2010-0001**

COMPLIANCE FILING

COMES NOW, Interstate Power and Light Company (IPL) and, pursuant to the Iowa Utilities Board (Board) Final Decision and Order of January 10, 2011, in Docket No. RPU-2010-0001, respectively, submits the following report detailing: (i) IPL’s actions relating to the transmission planning process; and (ii) IPL’s collaborations with other stakeholders on managing its relationship with ITC Midwest, LLC:

1. Pursuant to the Board’s January 10, 2011, order in Docket No. RPU-2010-0001, page 142, IPL was required to provide the following:

> 5. IPL will be required to file semi-annual reports, with the first report being due June 30, 2011, and subsequent reports every six months thereafter, detailing its review, suggestions, and input to such things as ITC Midwest's transmission planning and budgeting processes and any FERC interventions or proceedings, including an evaluation of the long-term impact of those transmission plans on IPL and its ratepayers, as detailed in the body of this order. The report shall include what impact, if any, IPL's input has had on the transmission planning process.
>
> 6. IPL shall file a report of its semi-annual collaborations with other parties on how IPL can better manage its processes and relationships with ITC Midwest and FERC, with the first report

being due June 30, 2011, and subsequent reports every six months thereafter.

As with its initial June 30, 2011, filing in response to these requirements, IPL has combined the content for each requirement into this filing.

2. IPL hereby provides to the Board in this instant filing its semi-annual updates, included as Attachment A, as required by Docket No. RPU-2010-0001.

3. IPL is willing to provide additional information or meet with Board staff to provide clarification or further discussion on this status report of its transmission-related activities.

WHEREFORE, IPL respectfully requests the Board accept the attached documents in compliance with the requirements of the aforementioned docket.

Dated this 30th day of June, 2014.

Respectfully submitted,

Interstate Power and Light Company

BY: *__/s/ Paula N. Johnson__*

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Interstate Power and Light Company
Semi-annual Report to the Iowa Utilities Board Regarding Transmission-Related Activities

Table of Contents

Executive Summary

Interstate Power and Light Company (IPL) continues managing the processes and relationship with ITC Midwest, LLC (ITC-M), influencing transmission benefits, service levels and cost impacts to IPL customers. This Report focuses on the most significant new and continued issues, actions, and results since the last Report filed with the Iowa Utilities Board (Board) on December 20, 2013 (December 2013 Report).

The Report does not necessarily address *all* activity or previously reported items. **Updates are generally in bold text and/or proceeded by "Updated".**

A notable highlight discussed since the December 2013 Report is the FERC's March 20, 2014 order that recognized the comments made by Alliant Energy Corporate Services, Inc. (AECS), the Organization of MISO States (OMS) and others that new protocols should apply to projected revenue requirements and ordered a revised compliance filing. The MISO Transmission Owners (TOs) filed revised compliance on May 19, 2014 reflecting changes in the protocols that also apply to projected revenue requirements.

IPL's strategy continues to be customer centric by influencing the balance between the cost and benefits provided IPL customers by transmission service through advocacy with ITC-M, Midcontinent Independent System Operator (MISO), and FERC and through engagement in regulatory policy at the local, regional and federal level.

1. ITC-M Relationship Management

IPL has an internal management structure with groups and individuals designated to interface with ITC-M and manage the overall relationship and coordination activities with ITC-M.

Notable changes from that provided in the December 2013 Report include:

- With the retirement of Tom Aller, Doug Kopp was appointed as President of IPL and Senior Vice President of Operations Support for AECS. Accordingly, Mr. Kopp has joined the IPL Executive Stakeholder Team and IPL Core Team for the relationship management with ITC-M.
- Joe McGovern was appointed as Director Electrical Engineering, Planning & Services for AECS. Mr. McGovern now fills committee roles previously held by Randy Bauer. (Mr. Bauer has been appointed as Regional Director of Customer Operations for IPL's East Region.)

While IPL and ITC-M each hold differing positions on certain cost allocation, rate increase, and capital investment pace issues, the companies continue to coordinate well on operations and planning issues and view the relationship as a partnership.

2. Review, Analysis of and Response to ITC-M Dockets in State Jurisdictions

ITC-M filings of particular interest to IPL are applications for new transmission facilities and franchise extensions, but not limited to these alone.

A summary of *ITC-M initiated* dockets IPL has reviewed since December 20, 2013, and the formal action IPL has taken in those dockets, if any, is listed in Table 1.

Table 1 - Summary of New ITC-M Dockets in State Jurisdictions Reviewed by IPL and Actions Taken
December 14, 2013 – June 2, 2014

Jurisdiction	Number of Dockets Reviewed	Number of Dockets Supported	Number of Dockets with No Action	Number of Dockets Objected to or With Comments	Dockets Still Under Review
IUB	12	12	0	0	0

Supported generally means the filings are for projects IPL views in the best interests of IPL customers, such as franchise renewals, rebuilt facilities, certain new facilities, North American Electric Reliability Corporation (NERC) compliance, or the MISO Multi Value Portfolio.
No Action generally applies to filings of no consequence to IPL customers.
Objected to or With Comments generally applies to projects unnecessary for IPL customer reliability or inappropriate cost allocations to IPL customers.

3. Transmission Regulatory Activity, IPL Engagement

Since the December 2013 Report, IPL notes the following most significant Board and FERC activity, and IPL's engagement.

A. FERC Investigation into MISO Attachment O

FERC previously initiated an investigation of the MISO formula rate protocols, noting concerns regarding the scope of participation, transparency of the information and ability to challenge transmission rates.

Results:

- IPL submitted comments to FERC in June 2012. In its comments, IPL suggested improvements in the above-noted areas of concern.
- In May 2013 FERC issued an order which found that MISO's and individual company formula rate protocols are insufficient. FERC directed MISO and the impacted transmission owners (TOs), which includes ITC-M, to make certain changes to their formula rate protocols.
- IPL provided verbal suggestions to ITC-M in August 2013 regarding additional information IPL would find helpful in ITC-M's projected Attachment O rate presentations, including more detail on Administrative and General (A&G) and Operations and Maintenance (O&M) costs, correlation of projects to the annual MISO Transmission Expansion Plan (MTEP) and more breakout of capital on multi-year projects.
- MISO and the TOs, including ITC-M, collaborated on their compliance filing and filed at FERC on September 13, 2013.
- On October 18, 2013, AECS on behalf of its utility affiliates IPL and Wisconsin Power and Light Co. (WPL), filed comments at FERC on the compliance filing. AECS's comments explain that while the company is supportive of the steps being taken, the filing is deficient in that changes to protocols are being focused on true-up procedures and are not being

applied to projected rates such as those used by ITC-M and the American Transmission Company (ATC). Further, AECS noted that in order to be in a sufficient position to fully evaluate and influence projected rates on behalf of customers, greater understanding of the reasonableness, prudency, and anticipated benefits of the projected rates is needed.

Updated Results:

- **On March 20, 2014, FERC conditionally accepted the September 2013 compliance filing and denied a rehearing request on its 2013 order for changes in MISO's Attachment O tariff protocols. FERC has recognized the comments made by AECS, OMS, and others that new protocols filed by the MISO and the TOs focused on the processes and timelines to review and challenge the after-the-fact rates. The new protocols did not clearly provide any additional mechanisms for review and challenge of the projected rates for the following year, such as those IPL is subject to from ITC-M. FERC indicated in the March 2014 order that the May 2013 order was meant to apply to projected revenue requirements as well. Along with other revisions, MISO and the TOs are required to revise the compliance filing to reflect the process and timelines for customers to review the reasonableness of projected rates.**
- **On April 18, 2014, OMS requested a rehearing and clarification of the March 20 order, asserting that FERC failed to make clear that the proposed protocols apply to the initial establishment of a formula rate revenue requirement by a MISO TO, and that FERC erred when it allowed the revised formula rate protocols to become effective on January 1, 2014, rather than the refund effective date of May 23, 2012, established in the May 2013 order.**
- **MISO and the TOs filed a revised compliance filing on May 19, 2014. The compliance filing does make the protocol changes to include application to the projected net revenue requirements as used by ITC-M. The timeline is clearer and tied to specific days of the year, rather than elapsed time as it was before. The timeline is also somewhat longer, allowing Interested Parties such as IPL more time to review the Annual True-Up, projected revenue requirement, etc. and to initiate Information Exchanges, Informal Challenges or Formal Challenges. The MISO and TOs compliance filing is attached as Appendix 1.**
- **Also on May 19, FERC issued a tolling order on OMS' rehearing request. The tolling order affords FERC additional time for consideration of the rehearing request and will address it in a future order.**
- **On June 9, 2014, a group of Arkansas and Mississippi cooperative and municipal utilities (Joint Customers) filed a Protest at FERC against the MISO and the TOs on procedural, timeline and calculation issues (ER13-2379-003).**
- **On June 12, 2014, the OMS filed a Motion to File Comments Out of Time and Comments of OMS regarding procedural issues (ER13-2379-003).**

- **It is not currently known when or how FERC might respond to OMS' rehearing request, the Protest of Joint Customers, or the OMS comments; it is also uncertain what future impacts there might be on the protocols.**
- **IPL will continue to engage in the processes allowing additional review of Attachment O rates with ITC-M to gain clarity on projected rates, either through the current or updated protocols resulting from the proceeding.**

B. IPL's Complaint on ITC-M Attachment FF

As noted in earlier Reports, IPL communicated its concerns to ITC-M regarding its implementation of the MISO Attachment FF. In the ITC-M version of this tariff, the costs of network upgrades related to generator interconnections were reimbursed to generators and, thus, passed on to IPL customers through ITC-M's rates.

Results:

- IPL filed at FERC in September 2012, seeking change to ITC-M's Attachment FF implementation and indicating:
  - IPL customers are significantly and unfairly disadvantaged;
  - IPL calculates a $170 million cost shift to IPL customers 2008-2016; and
  - Interconnection customers should fund 100% of upgrades rated below 345kV and 90% for those rated above 345kV.
- Numerous supporting comments were filed from various stakeholders, other transmission dependent utilities, state commissions and others including the Board and Office of Consumer Advocate.
- On July 18, 2013, FERC issued an order granting IPL's complaint and directed ITC-M's Attachment FF reimbursement policy to be consistent with the other MISO zones, effective with the date of the order.
- <u>IPL views this FERC order as a significant positive result achieved by IPL in the interest of IPL customers. IPL's earlier estimates indicated as much as $140 million IPL customer cost savings from 2012-2016 were possible if the policy were changed, based on known and projected generator interconnection projects at the time IPL initiated its complaint.</u>
- On August 16, 2013, ITC-M filed a rehearing request and in the alternative, a clarification. The rehearing request argued that FERC erred in its determination on several counts. As an alternative to a rehearing, ITC-M also asked for a clarification on the effective date related to provisional GIAs.
- On August 19, 2013, IPL also filed a request for clarification which seeks to clarify that FERC's directed changes will apply to existing GIAs that are amended after the date of the July 18 Order.
- On September 16, 2013, FERC issued a tolling order related to the rehearing and clarification requests which gave FERC an open ended amount of time to consider them. In the meantime, the order issued July 18, 2013 is in effect.
- On December 13, 2014, Alliant Energy Corporation (AEC) and its subsidiary IPL filed a Form 8-K with the Securities and Exchange

Commission (SEC). In this filing, AEC and IPL noted that IPL had expected to fund capital transmission upgrades for its planned Marshalltown Generation Station (MGS) based on the July 18, 2013 FERC Order on ITC-M's Attachment FF and assumed such upgrades in its capital expenditure guidance issued on November 7, 2013. IPL has been informally notified that ITC-M intends to pursue an option under the terms of the MISO Generator Interconnection Procedures to self-fund the transmission upgrades associated with MGS. This self-fund option is under Attachment X of the MISO tariff, separate from Attachment FF. Under this option, IPL anticipates a direct assignment facility expense for the network upgrades after the upgrades are placed into service. IPL does not believe that the cost cap included in the Board's Proposed Decision and Order of November 9, 2013 would be affected if ITC-M were to ultimately self-fund the transmission upgrade.

Updated Results:

- **On February 20, 2014, FERC issued an order denying ITC-M's request for rehearing, granting in part and deny in part ITC-M and IPL's respective requests for clarification, and accepting MISO's compliance filing. Additional details regarding the order appear in the Detailed Report.**
- **The February 20, 2014 FERC order substantially affirms the July 18, 2013 order where IPL prevailed in its complaint. Like the July 18, 2013 order, the February 20, 2014 order is overwhelmingly a positive for IPL and its customers.**
- **The February 20, 2014 FERC order is attached as Appendix 2.**
- **On March 24, 2014, NextEra Energy Resources, LLC (NextEra) filed at FERC a request for rehearing on the February 20 order. NextEra is asking for rehearing because two of its wind projects (Crystal Lake II and III) have provisional, executed GIAs filed in 2008 and 2009. MISO did not complete the system impact studies for these projects until March 2013. MISO has not yet amended the GIAs to include any additional network upgrades. Therefore, as a result of the February 20 order, NextEra argues it will be responsible for any additional network upgrade costs since the GIAs will be amended after the date of the original July 2013 order. NextEra argues that this is due to no fault of its own, but rather due to the delays of MISO studies and GIA amendments. NextEra had previously made a similar argument in a response to IPL's clarification request to the July 2013 order.**
- **On April 23, 2014, FERC issued a Tolling Order on NextEra's rehearing request. In the absence of FERC action within 30 days from the date the rehearing request was filed, the request for rehearing would have been deemed denied. The tolling order affords FERC additional time for consideration of the rehearing request and will address it in a future order.**
- **It is not currently known when or how FERC might respond to NextEra's rehearing request, or what future impacts there might be for IPL, if any.**

- **It is also not known if or how ITC-M's potential use of the self-fund option might impact any transmission upgrade costs for the NextEra projects. MISO continues to operate under the revised MISO Tariff filed as ordered and effective as of the date of the July 18, 2013 order.**
- **IPL will continue to monitor the proceedings and engage further as needed.**

C. MISO Industrial Customer Complaint Against MISO Transmission Owner Return on Equity (ROE) and Capital Structure

On November 12, 2013, a group of industrial customer organizations in MISO filed a complaint at FERC seeking reduction of the base return on equity (12.38%) used by the MISO TOs (including ITC-M) in transmission rates to 9.15 percent, and instituting a capital structure in which the assumed equity component does not exceed 50 percent among other provisions.

IPL and its affiliates are precluded from supporting the MISO ROE complaint because of a prohibition against opposition, contestation, challenge or filing any complaint before FERC regarding ITC-M's rate, or taking any position with any third Person adverse to, ITC-M's initial rate and rate construct. This prohibition is part of the IPL and ITC-M transmission asset sale agreement and is in effect for a period of seven years after the date of the asset sale. The prohibition expires December 20, 2014.

Results:

- AECS filed a "doc less" intervention (without comments) in the docket on December 10, 2013, on behalf of IPL and WPL as interested parties. Filing such an intervention neither supports or opposes the complaint, but allows AECS and affiliates to stay abreast of further developments and potentially participate in future proceedings should the opportunity and need as well as the ability to participate arise.

Updated Results:

- **On June 19, 2014, FERC issued an order in response to the 2011 complaint of the Massachusetts Attorney General and others against the ISO-NE transmission owners' ROE. It provides some direction and guidance that can be expected to be applied to remaining ROE complaints, including the one against the MISO transmission owner ROE.**
- **FERC made the following particular rulings:**
  - **ISO-NE TOs' ROE are lowered from 11.14% to 10.57%. This is higher than the 9.7% recommended by the ALJ previously and the 8.7% sought in the complaint.**
  - **The methodology for determining ROE is revised using a 2-step discounted cash flow analysis that incorporates a long-term growth estimate.**
  - **Base ROEs are set at halfway point between the midpoint and top end of the zone of reasonableness. This higher than the previous practice of using the midpoint of the zone of**

  - **reasonable comparisons, but continues to provide needed incentives for transmission and effectively caps a narrower range for the zone of reasonableness.**
  - **The revised methodology is consistent with that used in natural gas and oil pipeline ROE determination.**
  - **FERC will no longer make more current market adjustments to ROE after the close of record.**
  - **A paper hearing is set to determine the long-term growth rate estimate to be used in the final ISO-NE ROE determination.**
- **Other pending complaints are set for hearing and settlement judge procedures using the new methodology, but the complaint against MISO TOs is not one of them.**
- **It is not known when or specifically how FERC will act on the MISO TO ROE complaint. It is not currently known exactly how or when the June 19, 2014 FERC order may affect the MISO ROEs, including those of ITC-M.**
- **IPL will continue to monitor the proceedings.**

4. MISO Activity, IPL Participation

IPL reviews the projects resulting from the MISO planning process and provides feedback to MISO on all projects potentially impacting the transmission service and cost to IPL customers.

Results:

- In November 2013, IPL reviewed the 24 ITC-M projects being submitted to MTEP 14, totaling $71.8 million. Consistent with its criteria as noted in *Section 2, Review, Analysis of and Response to ITC-M Dockets,* IPL provided comments to MISO and ITC-M:
  - IPL requested more information on 3 projects, totaling $10.6 million. IPL's questions are for more complete information to be shared regarding the rationale for the projects, alternatives considered and more specific details about locations for grouped project listings.
  - IPL does not take a position on 3 projects, totaling $12.5 million. (2 are funded by the specific customers involved and 1 is an interconnection for a non-IPL customer).
  - IPL supports the remaining 18 projects, totaling $48.7 million. IPL views all of them in the best interests of reliability for IPL customers as they are aging system rebuilds, new facilities supporting IPL distribution projects, or are for North American Electric Reliability Corporation (NERC) compliance.
- MISO has not identified a new portfolio of Candidate Multi Value Portfolio (MVP) projects since MTEP 11. IPL continues to monitor initiation and progress of the MTEP 11 MVPs.

Updated Results:

- **MISO and ITC-M have not yet directly responded to IPL's comments on MTEP 14 and request for additional information on 3 projects.**
- **On May 30, 2014, ITC-M made out-of-cycle requests for approval from MISO on four projects.**

- **IPL will continue engagement with MISO and ITC-M as IPL evaluates these and any other projects submitted for consideration in MTEP 14.**

5. IPL and ITC-M's Joint Project Planning Process

Results:

- As noted earlier, changes in AECS and IPL executive staffing have occurred. Most notably, the IPL Planning organization has been brought under Joe McGovern as Director Electrical Engineering, Planning & Services for AECS. This has been done in part to bring additional focus to the coordination of planning activities between IPL and ITC-M. It is anticipated that this will result in more coordinated project and budget planning for both IPL distribution and ITC-M transmission work.

Updated Results:

- **One such project that requires very close and frequent coordination between IPL, ITC-M and MISO is the planned transmission interconnection and network upgrades to accommodate in-service commissioning of IPL's approved Marshalltown Generation Station (MGS), planned for an in-service date of 2017. MGS is a nominal 650 MW natural gas / combined cycle generation station planned at Marshalltown, Iowa, adjacent to existing generation facilities. The original MISO System Planning and Analysis (SPA) Study for the MGS transmission interconnection and network upgrades indicated a 345kV solution at a cost of approximately $258 million. The most recent Definitive Planning Phase (DPP) Study indicates a 161kV solution at $25 - $60 million. The MISO study process continues and is expected to be complete later in 2014.**

6. IPL Analysis of ITC- M and MISO Rates

IPL has an internal process to project transmission expenses, using anticipated MISO billings (including those for MVPs), ITC-M revenue requirements projections and capital expense projections among other variables. IPL incorporates its transmission expense projections into energy pricing outlooks for overall industrial customer rates with customers, including transmission, through various customer communications and interactions. These energy pricing outlooks are communicated through periodic webinars and presentations at customer forums such as the annual IPL Energy Summit and the semi-annual IPL Transmission Stakeholder meetings. These pricing outlooks are updated as new information becomes available, such as the ITC-M Attachment O True-Up for the prior year posted in June and the ITC-M projected Attachment O rate for the next year posted by September and IPL's determination of the annual Regional Transmission Service (RTS) factors filed with the Board each November.

Updated Results:

- **ITC-M made available updated revenue requirements projections in May 2014, as posted on their OASIS site at http://www.oasis.oati.com/ITCM/, item number 88.**
- **ITC-M also recently posted the 2013 True-Up Adjustment on its MISO OASIS website at http://www.oasis.oati.com/ITCM/, item number 87. The**

posted True-Up information indicates customers of ITC-M will receive an approximately $10.1 million refund to be applied to ITC's 2015 rates.

- **IPL is reviewing the additional information made available under this posting via the updated MISO Formula Rate Protocols as described in *Section 3. Transmission Regulatory Activity, IPL Engagement*, and will submit questions as needed to ITC-M to better understand the basis for the True-Up posting. In addition, IPL will participate in ITC-M's announced July 10, 2014 True-Up review meeting, made available under the updated MISO Formula Rate Protocols.**
- **Likewise, IPL will review the ITC-M Attachment O rate for the next year when posted by September 1 and will submit questions as needed to ITC-M under the updated MISO Formula Rate Protocols.**

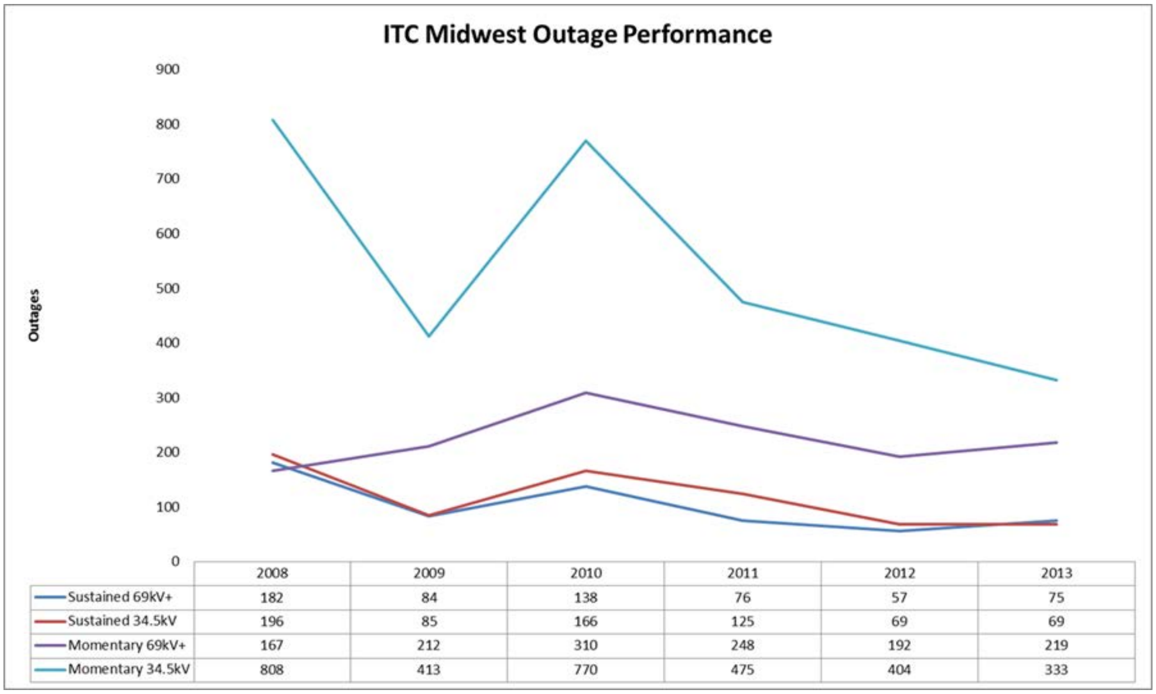
IPL recognizes and acknowledges that ITC-M is making needed investments in the transmission system, and that transmission reliability is improving as a result. IPL further recognizes that some transmission investment cost is-- and will continue to be driven by-- an aging system, integration of renewable resources and evolving regulation on planning, cost allocation and environmental compliance.

7. Transmission Outage Performance and Operations Coordination

As part of the joint IPL/ITC-M Operations Committee, representatives of IPL's Distribution Dispatch Center meet monthly with their counterparts from ITC-M's field operations and Operations Control Room to discuss outage history, reliability metrics and other operations-related topics.

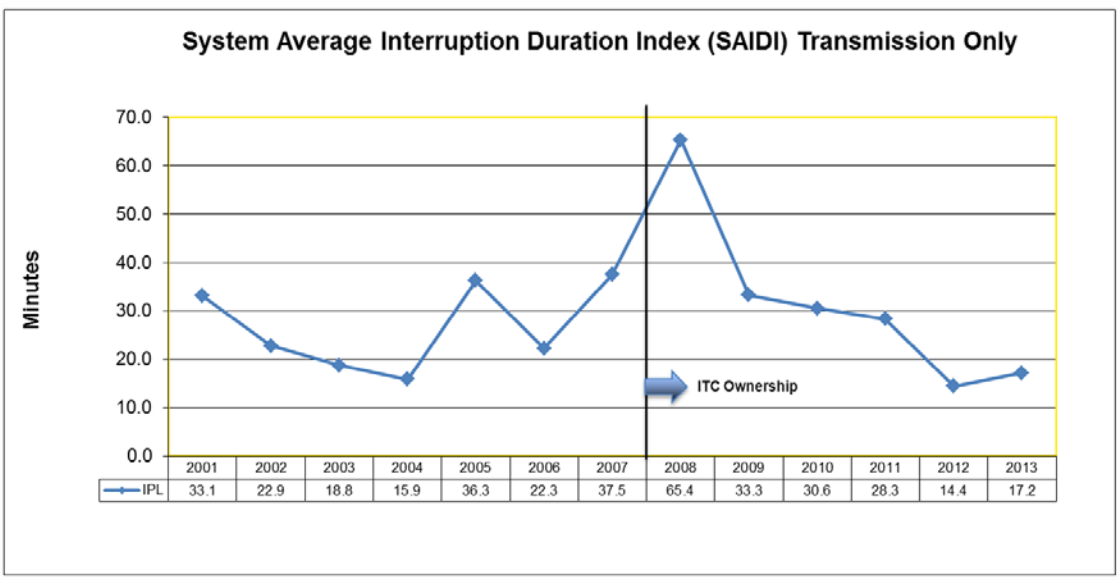
Updated Results:

- Transmission reliability continues to improve, in large part due to ITC-M maintenance, rebuilds, conversion, and new facility construction.
- **Reliability and asset performance metrics have been updated with full year 2013 data and are shown in Figures 1, 2, and 3.**



	2008	2009	2010	2011	2012	2013
Sustained 69kV+	182	84	138	76	57	75
Sustained 34.5kV	196	85	166	125	69	69
Momentary 69kV+	167	212	310	248	192	219
Momentary 34.5kV	808	413	770	475	404	333

Figure 1 – ITC-M Outage Performance



	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
IPL	33.1	22.9	18.8	15.9	36.3	22.3	37.5	65.4	33.3	30.6	28.3	14.4	17.2

Figure 2 – Transmission Reliability, SAIDI (System Average Interruption Duration Index) - Average length in minutes of outages for all customers.

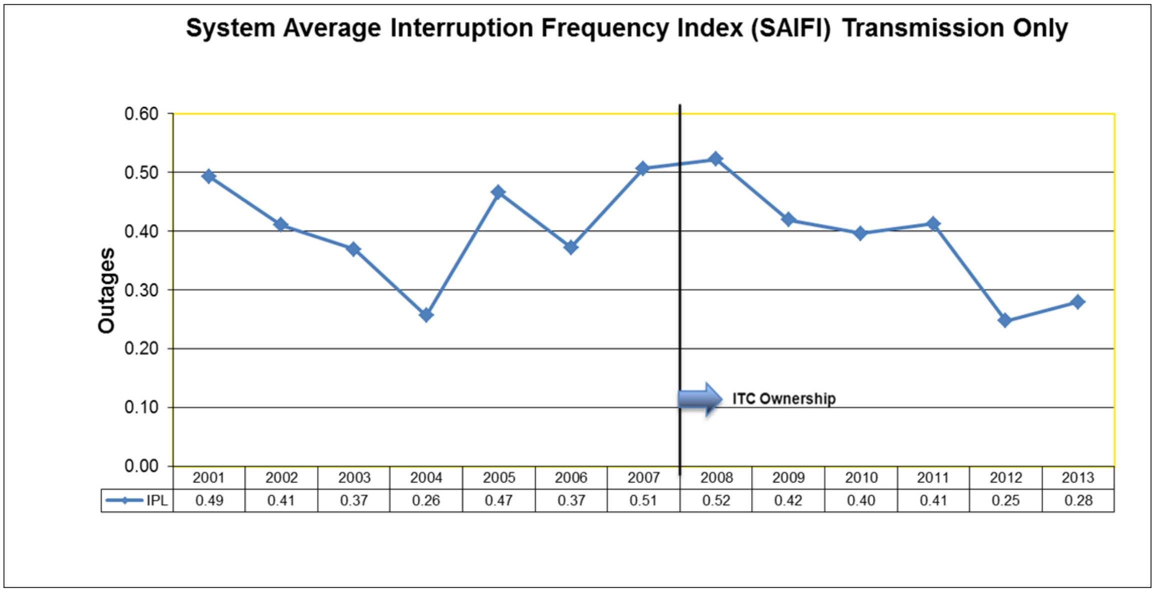


Figure 3 – Transmission Reliability, SAIFI (System Average Interruption Frequency Index) - Average number of outages experienced by all customers.

Results:

- Transmission reliability continues to improve, in large part due to ITC-M maintenance, rebuilds, conversion, and new facility construction. A general improvement trend in the number and duration of customer outages is observed in the metrics illustrated in the Figures 1, 2 and 3 above since the transmission assets were acquired by ITC-M.
- IPL and ITC-M have continued the efforts described in prior Reports to:
    - o Minimize impacts to large industrial customers from planned outages. Through experience, both IPL and ITC-M have become more aware of the circumstances under which the unplanned outage risk is increased associated with ITC-M work. This has led to better recognition of those circumstances farther in advance, improved coordination and contingency planning. The processes and resulting coordination continue it evolve and improve. As noted in prior reports, the position of Senior Transmission Specialist was created and staffed in May 2013. This position was created to facilitate coordination of details around planned ITC-M transmission outages needed to support ITC-M maintenance, rebuilds, conversion and new facility construction, farther in advance. In addition, the Specialist facilitates identifying and negotiating alternatives to proposed work that optimizes schedule, priority, scope; minimizes customer risk and assists in developing contingency plans. This position and the development of new and updated processes and procedures by IPL have been well received by ITC-M. IPL observes that the creation of this position and the development of new and updated processes and procedures have resulted in much more efficient joint outage planning and better ability to plan work farther in advance. Much less short term reactionary planning is occurring, resulting in more efficient use of IPL and ITC-M resources and better coordination involving key IPL industrial customers, farther in advance.

- o Collect IPL large customer plant planned outage and maintenance schedules. This helps optimize ITC-M system maintenance scheduling and minimize inconvenience and unplanned outage risk for IPL customers.
- o Improve communications with customers by IPL and ITC-M. IPL's Account Management and ITC-M's Stakeholder Relations groups continue to coordinate closely on communications, particularly with large, transmission-connected customers, improving service and minimize conflicting or confusing messaging.
- o Estimate outage reduction cost savings. In 2013, IPL and ITC-M worked together using the US Department of Energy ICE (Interruption Cost Estimate) Calculator (ICE Calculator) to estimate the potential outage cost savings resulting from the improved reliability resulting thus far since ITC-M assumed ownership and operation of the transmission system. Based on ITC-M's transmission ownership, investment and improved reliability in years 2008-2013, the estimated outage cost savings to customers are likely in the range of $168-498 million, over the life of the assets in 2013 $.

8. <u>Transmission Stakeholder Meetings</u>

On May 29, 2014, IPL held its seventh semi-annual Transmission Stakeholder meeting in Cedar Rapids.
The agenda and meeting presentations are attached to this Report as Appendix 3.

9. <u>Conclusions</u>

IPL believes the results detailed in this Report demonstrate that its actions have had a positive influence in managing the relationship with ITC-M and with IPL's customers toward reliable and cost-effective service.

While IPL and ITC-M may hold differing positions on certain cost allocation, rate increase and capital investment pace issues, the companies continue to coordinate well on operations and planning issues and view the relationship as a partnership.

IPL recognizes and acknowledges that ITC-M is making needed investments in the transmission system. Considerable investment in transmission system rebuilds, conversion and new facility construction continues. Transmission system reliability has improved.

IPL further recognizes that some transmission investment cost is-- and will continue to be driven by-- an aging system, integration of renewable resources and evolving regulation on planning, cost allocation and environmental compliance. IPL will continue:

- Close coordination with ITC-M on planned projects and costs to influence the prudency, priority, expected benefits, cost efficiency and pace of new capital investment;
- Active engagement with the MTEP process at MISO on projects to challenge and influence project costs and justification as needed; and
- Active engagement at FERC on cost allocation and other transmission policy issues

With the results noted in this Report, IPL has demonstrated that it has and will continue to engage regulatory policy, MISO processes and ITC-M directly through appropriate venues with the objective of reliable and cost-effective electric service to IPL customers.

A notable example of results from such engagement that IPL highlights since the December Report is the MISO Formula Rate Protocols activity where FERC's March 20, 2014 order recognized the comments made by AECS, OMS and others that new protocols should apply to projected revenue requirements and ordered a revised compliance filing. The MISO TOs filed revised compliance on May 19, 2014 reflecting changes in the protocols that also apply to projected revenue requirements.

While the overall benefits of these collective efforts are difficult to quantify, IPL believes its efforts are in the right direction. IPL believes its advocacy on behalf of customers has helped ITC-M increase its sensitivity to cost concerns and the need to provide justification for, and articulation of the benefits from, ITC-M's transmission system investments.

Detailed Report - Introduction

Interstate Power and Light Company (IPL) submits this semi-annual Report of its transmission-related activities, pursuant to the requirements of the Iowa Utilities Board's (Board) January 10, 2011, Final Decision and Order in Docket No. RPU-2010-0001, which conditionally allowed IPL to implement an automatic recovery mechanism for transmission costs. This Report provides details of IPL's activities in and results from managing its processes and relationship with ITC Midwest (ITC-M) and influencing the transmission service levels and cost impacts to IPL customers. This report focuses on the following areas, with particular emphasis on activities and results since IPL's last semi-annual transmission Report filed December 20, 2013 (December 2013 Report):

1. ITC-M Relationship Management;
2. Review, Analysis of and Response to ITC-M Dockets;
3. Transmission Regulatory Activity, IPL Engagement;
4. Midcontinent Independent System Operator, Inc. (MISO) Activity and IPL Participation;
5. IPL and ITC-M's Joint Project Planning Process;
6. IPL Projections and Analysis of ITC-M and MISO Rates;
7. Transmission Outage Performance and Operations Coordination;
8. Stakeholder Informational Meeting; and
9. Timetable of Events Influencing Transmission Rates & Service.

With this and prior Reports, IPL is specifically responding to the Board expectations that IPL "…improve its processes and relationships with ITC Midwest…" and "…to provide semi-annual Reports detailing its review, analysis, suggestions, and input to such things as ITC Midwest's transmission planning and budgeting process and any FERC interventions or proceedings, and what impact IPL's input has had."

Further, the Board required "…IPL to collaborate with other interested parties on at least a semi-annual basis. The IUB envisions these collaborations to be an opportunity for other parties to offer suggestions to IPL on how it can better manage its processes and relationships with ITC Midwest…"

In this Report, IPL continues to emphasize results it has achieved on behalf of its customers. This Report only addresses the most significant new and continued issues, actions and results affecting transmission service and cost since the last Report. The Report does not necessarily address *all* activity or previously reported items without new developments. **Much of the background information from the December 2013 Report is retained in this Report in order to provide continuity and context. Updates are generally in bold text and/or proceeded by "Updated."**

IPL is continuing to include in this Report analysis on changes to ITC-M rates, their drivers and reasonableness.

IPL's strategy continues to be customer centric by influencing the balance between the cost and benefits provided IPL customers by transmission service through advocacy with ITC-M, MISO, and Federal Energy Regulatory Commission (FERC) and through engagement in regulatory policy at the local, regional, and federal level.

A notable example of results from such engagement that IPL highlights since the December Report is the MISO Formula Rate Protocols activity where FERC's March 20, 2014 order recognized the comments made by AECS, OMS and others that new protocols should apply to projected revenue requirements and ordered a revised compliance filing. The MISO Transmission Owners (TOs) filed revised compliance on May 19, 2014, reflecting changes in the protocols that also apply to projected revenue requirements.

1. ITC-M Relationship Management

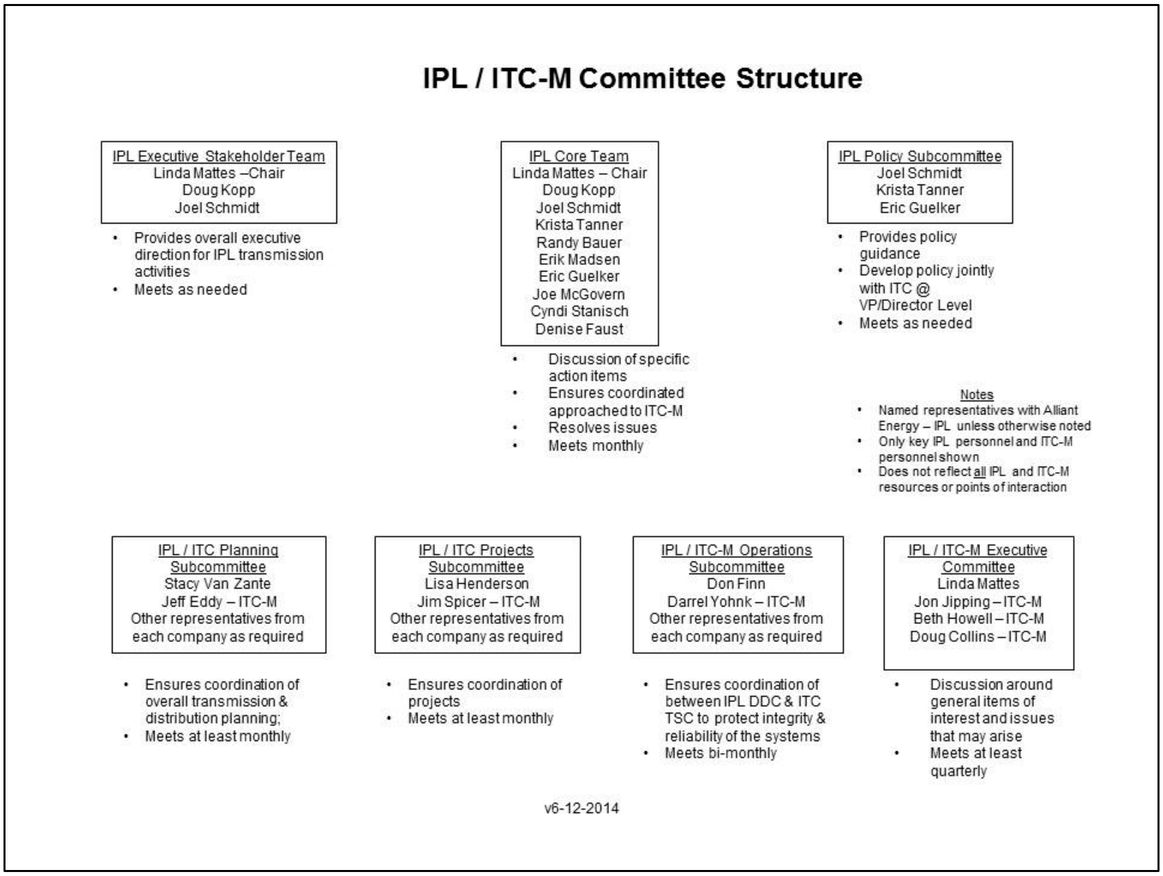
IPL has an internal management structure with groups and individuals designated to interface with ITC-M and manage the overall relationship and coordination activities with ITC-M.

The committee structure addressing transmission issues and interfacing with ITC-M is represented in Figure 4. Notable changes from that provided in the December 2013 Report include:

- With the retirement of Tom Aller, Doug Kopp was appointed as President of IPL and Senior Vice President of Operations Support for AECS. Accordingly, Mr. Kopp has joined the IPL Executive Stakeholder Team and IPL Core Team for the relationship management with ITC-M.
- Joe McGovern was appointed as Director Electrical Engineering, Planning & Services for AECS. Mr. McGovern now fills committee roles previously held by Randy Bauer. (Mr. Bauer has been appointed as Regional Director of Customer Operations for IPL's East Region.)

The IPL Executive Stakeholder Team continues to meet monthly with staff to review status of various IPL-related transmission issues and provides oversight and direction to IPL's overall transmission strategy and relationship management with ITC-M. This includes monitoring developments with, and directing responses to the following entities regarding events, issues, processes and regulatory policies that impact ITC-M rates and ultimately the cost to IPL customers:

- ITC-M;
- FERC;
- MISO;
- Board; and
- The Minnesota Public Utilities Commission (MPUC).



(While the committee structures appear very formal, they are in reality very flexible in the composition of members and meeting frequency in order to maximize efficiency and effectiveness in addressing issues and the overall relationship between IPL and ITC-M. When needed, short term, focused committees are formed to address specific initiatives.)

Figure 4 – IPL / ITC-M Committee Structure

Numerous informal interactions occur at all levels within IPL and between IPL and ITC-M on daily and weekly frequencies to support activities such as planned transmission outage coordination, transmission and distribution construction and maintenance, planning for future work, outage investigation, and coordination and communication with IPL customers.

While IPL and ITC-M each hold differing positions on certain cost allocation, rate increase, and capital investment pace issues, the companies continue to coordinate well on operations and planning issues and view the relationship as a partnership.

2. <u>Review, Analysis of and Response to ITC-M Dockets in State Jurisdictions</u>

IPL's strategy includes maintaining active and vocal engagement with ITC-M's regulatory activity that could potentially affect transmission related benefits as well as rates, and therefore, costs to IPL customers.

IPL continuously monitors filings made on a routine basis by ITC-M within the regulatory jurisdictions of the Board, MPUC and FERC.

IPL makes a determination on a case-by-case basis regarding whether any response by IPL to an ITC-M filing is necessary and whether other filings in these venues could have an impact on IPL customer transmission costs or service.

Through its Delivery System Planning department and other resource areas, IPL performs a daily and weekly review of all new filings by ITC-M through the Board's Electronic Filing System. IPL's Delivery System Planning department, and others as appropriate, review any new docket related to ITC-M. IPL has developed criteria to determine what, if any, actions it should pursue. The criteria for participation, whether in support of or opposition to a particular project, are listed below. Please note these criteria are general in nature; IPL may decide to take different actions depending on the specifics of a particular docket.

IPL's response to an ITC-M docket can include one of the following actions, as supported by the corresponding general criteria for each action:

- Support:
  - ITC-M requests franchise renewals;
  - ITC-M proposes a conversion project related to IPL long-term plans;
  - ITC-M proposes new IPL substation connections;
  - ITC-M plans projects to satisfy North American Electric Reliability Corporation (NERC) compliance; or
  - ITC-M's proposal supports reliability and aging infrastructure projects identified by IPL.

- Oppose:
  - The proposed generation interconnection projects shift costs from generators to IPL customers;
  - The proposed project does not materially improve reliability; or
  - The proposed project would make IPL customers responsible for a disproportionate amount of the costs.

- No Action:
  - ITC-M's project supports customers other than IPL;
  - ITC-M's filing is a routine reporting filing;
  - The docket is not related to a specific project;
  - The project is driven by regulatory policy, unless justification is not aligned with the needs of IPL's customers; or
  - A project identified at the time of the transmission system sale does not fall into the support criteria.

IPL reviews all projects, starting at the planning level, with ITC-M and continues to review these projects throughout the various MISO and regulatory processes. IPL takes advantage of multiple opportunities to provide input and feedback to influence the reliability, efficiency and/or cost impact of these projects. Ultimately, IPL has the ability to intervene in the appropriate state regulatory process should it not prevail at prior steps in the review and approval process. While IPL considers this to be a last-step action, the state regulatory intervention process affords IPL the ability to provide its position in multiple venues. Analysis of some of these projects originated when IPL owned the transmission assets, so duplicate analysis is avoided.

Since IPL's December 2013 Report, IPL has reviewed 12 new dockets filed by ITC-M with the Board, and has provided responses as needed in the appropriate forums for all 12. A summary of IPL's review of new ITC-M filings to the Board is provided in Table 2.

Table 2 – New ITC-M Filings with Iowa Utilities Board Reviewed by IPL
December 14, 2014 – June 2, 2014

Week Of	Docket No.	Short Description	IPL Action Taken	Reason
02/02/2014	E-21707	Nettle Sub to Nettle Ave 69kV	Support	Reliability and aging infrastructure
02/09/2014	E-22162	North English to South English 69kV Rebuild	Support	34.5kV to 69kV Conversion
02/24/2014	E-22152	Killdeer to Hampton 345kV Proposed Corridor - Franklin Co.	Support	2011 Candidate MVP Portfolio
02/24/2014	E-22153	Killdeer to Hampton 345kV Proposed Corridor - Cerro Gordo Co.	Support	2011 Candidate MVP Portfolio
03/31/2014	E-22140	Ledyard to Colby 345kV Proposed Corridor - Kossuth Co.	Support	2011 Candidate MVP Portfolio
03/31/2014	E-22141	Leyard to Colby 345kV Proposed Corridor - Worth Co.	Support	2011 Candidate MVP Portfolio
03/31/2014	E-22142	Ledyard to Colby 345kV Proposed Corridor - Winnebago Co.	Support	2011 Candidate MVP Portfolio
04/07/2014	E-22167	Viele Sub to Lee Sub 69kV	Support	Franchise Renewal
04/14/2014	E-22168	Afton West Sub Tap 69kV Transmission Line	Support	Tap to New IPL Substation
05/05/2014	E-22170	Jasper Co. to Newton 8th St. 161kV, Newton to Prairie City 69kV, Aurora Heights to Grinnell 161kV	Support	Franchise Renewal
06/02/2014	E-22173	Independence West Substation Tap 69kV	Support	Tap to New IPL Substation
06/02/2014	E-22174	Jefferson-Fairfield 7th Street 69kv	Support	Franchise Renewal

Supported generally means the filings are for projects IPL views in the best interests of IPL customers, such as franchise renewals, rebuilt facilities, certain new facilities, North American Electric Reliability Corporation (NERC) compliance, or the MISO Multi Value Portfolio.
No Action generally applies to filings of no consequence to IPL customers.
Objected to or With Comments generally applies to projects unnecessary for IPL customer reliability or inappropriate cost allocations to IPL customers.

Other, on-going dockets involving or potentially affecting ITC-M, but not necessarily initiated by ITC-M in the various jurisdictions are also reviewed on a regular basis. Any IPL involvement in those proceedings is described in *Section 3. Transmission Regulatory Activity, IPL Engagement*.

3. Transmission Regulatory Activity, IPL Engagement

IPL's strategy includes maintaining active and vocal engagement with regulatory policy activity that potentially impacts transmission rates, including those of ITC-M, and that ultimately impact the costs to IPL customers.

Since the December 2013 Report, IPL notes the following most significant Board and FERC activity, and IPL's engagement.

A. FERC Investigation into MISO Attachment O (Docket Nos. EL12-35-000, ER13-2379-000)

Following complaints regarding MISO transmission formula rates, FERC initiated an investigation in 2012, noting that the current structure may be unjust, unreasonable, unduly discriminatory or preferential or otherwise unlawful. Areas of concern where FERC requested comments from interested parties included the scope of participation, transparency of the information and ability to challenge.

Results:

- IPL submitted comments to FERC in June 2012. In its comments, IPL suggested improvements in the above-noted areas of concern. A copy of IPL's comments was provided in the June 2012 Report. IPL comments noted that, with IPL's transmission service substantially delivered through the ITC-M system, 85 to 90 percent of IPL's total transmission costs are a direct result of ITC-M rates. Further, these costs are transparent to IPL end-use retail customers as a separate line item on their IPL bills. IPL sought greater detail and transparency from both ITC-M and MISO in the determination of Attachment O rates. Specifically, more information should be provided regarding the need for, quantifiable benefits of, priority of and reasonableness of each of the components, especially individual project capital cost. The need for such detail and transparency have been expressed and emphasized in feedback from IPL customers in view of the historical and IPL forecast of continued rapid rise in ITC-M rates.
- In May 2013, FERC issued an order which found that MISO's and individual company formula rate protocols are insufficient. FERC directed MISO and the impacted transmission owners (TOs), which includes ITC-M, to make certain changes to their formula rate protocols. Changes to the formula rate protocols were directed to assist in making certain interested parties have the information and processes in place to help ensure just and reasonable rates. The new protocols require TOs to provide more support for information included in formula rates as well as have a well-defined challenge process which places the burden of demonstrating the correctness of information on the TO. Parties seeking to challenge the prudence of a TO's expenditures will still need to first create a serious doubt as to the prudence of those expenditures before the burden of proof shifts to the transmission owner.
- IPL provided verbal suggestions to ITC-M in August 2013 regarding additional information IPL would find helpful in ITC-M's projected Attachment O rate presentations, including more detail on Administrative and General (A&G) and Operations and Maintenance (O&M) costs, correlation of projects to the annual MISO Transmission Expansion Plan (MTEP) and more breakout of capital on multi-year projects. IPL suggested that these considerations might also factor into ITC-M's participation with other MISO TOs in the development of the formula rate protocol compliance filing with FERC. ITC-M indicated that it was not expected that the compliance filing would reflect much change to the

existing Attachment O protocols for projected rates, but they appreciated the suggestions and that they would take them into consideration.

- MISO and the TOs, including ITC-M, collaborated on their compliance filing and filed at FERC on September 13, 2013. In their filing, MISO and the TOs highlighted among other provisions:
    - o Request that the revisions to the MISO tariff be effective January 1, 2014.
    - o Have definitive timelines for interested parties and TOs to have Information Exchanges, Informal Challenges, and Formal Challenges to TOs' annual net revenue requirement and True-Up Adjustments.
    - o Agree to comply with the requirement to provide additional information, including supporting documents and work papers for data that is not available in the FERC Form 1 or other applicable data source documents, that includes sufficient information to enable interested Parties to replicate the calculation of the formula results and identify any changes to the formula references.
    - o Agree to make required annual informational filings to FERC that include:
        - ▪ Input data to formula rates are properly recorded in any underlying work papers;
        - ▪ that the Transmission Owner has properly applied the formula rate and the procedures in the protocols
        - ▪ the accuracy of data and the consistency with the formula rate of the actual revenue requirement and rates (including any True-Up adjustment) under review
        - ▪ the extent of accounting changes that affect formula rate inputs, and
        - ▪ the reasonableness of projected costs included in the projected capital addition expenditures
    - o Provided illustrative examples of the revised protocols and red-lined versions of the MISO Attachment O to comply with the FERC order.
    - o Indicated that due to the expected time for FERC to act on the compliance filing, MISO and the TOs do not expect that the revised procedures and timelines will be applied until June 1, 2014.
- On October 18, 2013, AECS on behalf of its affiliate utilities IPL and Wisconsin Power and Light Co. (WPL), filed comments at FERC on the compliance filing. AECS's comments explain that while the company is supportive of the steps being taken, the filing is deficient in that changes to protocols are being focused on true-up procedures and are not being applied to <u>projected</u> rates such as those used by ITC-M and the American Transmission Company (ATC). AECS stressed the importance of thoroughly understanding projected rates and their basis, and the need for the new protocols to be applied to projected rates and not just true-up procedures. Further, AECS noted that in order to be in a sufficient position to fully evaluate and influence projected rates on behalf of customers, greater understanding of the reasonableness, prudency, and anticipated benefits of the projected rates is needed.

- Various entities with MISO interests filed comments to the compliance filing regarding the details of the timing and specific information made available in the review of actual revenue requirements and the True-Up adjustments. A few, including the Organization of MISO States (OMS) made similar comments to AECS regarding the needed application of the protocols to projected rates.

Updated Results:

- **On March 20, 2014, FERC conditionally accepted the September 2013 compliance filing and denied a rehearing request on its 2013 order for changes in MISO's Attachment O tariff protocols. FERC has recognized the comments made by AECS, OMS and others that new protocols filed by the MISO and the TOs focused on the processes and timelines to review and challenge the after-the-fact rates. The new protocols did not clearly provide any additional mechanisms for review and challenge of the projected rates for the following year, such as those IPL is subject to from ITC-M. FERC indicated in the March 2014 order that the May 2013 order was meant to apply to projected revenue requirements as well. Along with other revisions, MISO and the TOs are required to revise the compliance filing to reflect the process and timelines for customers to review the reasonableness of projected rates. On April 18, 2014, OMS requested a rehearing and clarification of the March 20 order, asserting that FERC failed to make clear that the proposed protocols apply to the initial establishment of a formula rate revenue requirement by a MISO TO, and that FERC erred when it allowed the revised formula rate protocols to become effective on January 1, 2014, rather than the refund effective date of May 23, 2012, established in the May 2013 order.**
- **MISO and the TOs filed a revised compliance filing on May 19, 2014. The compliance filing does make the protocol changes to include application to the projected net revenue requirements as used by ITC-M. The timeline is clearer and tied to specific days of the year, rather than elapsed time as it was before. The timeline is also somewhat longer, allowing Interested Parties such as IPL more time to review the Annual True-Up, projected revenue requirement, etc. and to initiate Information Exchanges, Informal Challenges or Formal Challenges. Also on May 19, FERC issued a tolling order on OMS' rehearing request. The tolling order affords FERC additional time for consideration of the rehearing request and will address it in a future order. The MISO and TOs compliance filing is attached as Appendix 1.**
- **On June 9, 2014, a group of Arkansas and Mississippi cooperative and municipal utilities (Joint Customers) filed a Protest at FERC against the MISO and the TOs on procedural, timeline and calculation issues (ER13-2379-003).**
- **On June 12, 2014, the Organization for MISO States (OMS) files a Motion to File Comments Out of Time and Comments of OMS regarding procedural issues (ER13-2379-003).**

- **It is not currently known when or how FERC might respond to OMS' rehearing request, the Protest of Joint Customers or the OMS comments; or what future impacts there might be on the protocols.**
- **IPL will continue to engage in the processes allowing additional review of Attachment O rates with ITC-M to gain clarity on projected rates, either through the current or updated protocols resulting from the proceeding.**

B. IPL's Complaint on ITC-M Attachment FF (Docket No. EL12-104-000)

As noted in earlier Reports, IPL communicated its concerns to ITC-M regarding its implementation of the MISO Attachment FF. In this tariff, the costs of network upgrades related to generator interconnections are reimbursed to generators and, thus, passed on to IPL customers through ITC-M's rates. IPL contended that IPL customers are significantly and unfairly disadvantaged. IPL requested ITC-M to consider changing this policy to be consistent with the majority of MISO, where a generator interconnection customer pays for 100% of the cost of network upgrades rated below 345kV and 90% for those rated above 345kV needed to connect to the transmission system. ITC-M has declined to make such a change, instead noting the professed benefits of the current ITC-M policy to IPL and its customers through support of regional wind generation development and overall economic development, and stating that the reimbursement policy is consistent with FERC policy. IPL then engaged the MISO stakeholder process through its various committees. MISO ultimately advised IPL that MISO could not address the disputed issue between IPL and ITC-M, or provide relief through their tariff administration.

Using ITC-M's historical and forecasted capital expenditures for generator interconnections, IPL calculated a cost shift to IPL customers totaling $170 million will have occurred over the period 2008-2016 under the current ITC-M's current Attachment FF implementation, versus an Attachment FF implementation consistent with the majority of MISO described above.

Results:

- IPL developed a Section 206 complaint and filed at FERC on September 14, 2012, seeking change to ITC-M's Attachment FF implementation and indicating:
    - IPL customers are significantly and unfairly disadvantaged;
    - IPL calculates a $170 million cost shift to IPL customers 2008-2016; and
    - Interconnection customers should fund 100% of upgrades rated below 345kV and 90% for those rated above 345kV.
- Numerous supporting comments were filed from various stakeholders, other transmission dependent utilities, state commissions and others including the Board and Office of Consumer Advocate.
- ITC-M filed comments, defending their implementation of Attachment FF. IPL filed response comments. ITC-M filed an additional set of comments, defending its position.

- In July 2013, FERC issued an order granting IPL's complaint and directed MISO on behalf of ITC-M to make revisions to Attachment FF so that ITC-M's reimbursement policy is consistent with the other MISO zones. Changes are effective as of date of the order. Customers who had Generator Interconnection Agreements (GIAs) executed or filed with the Commission prior to the date of the order will use the former reimbursement policy. GIAs executed or filed with the Commission prior to the date of the order but that are amended to add additional network upgrades will be addressed on a case-by-case basis.
- **IPL views this FERC order as a significant positive result achieved by IPL in the interest of IPL customers. IPL's earlier estimates indicated as much as $140 million IPL customer cost savings from 2012-2016 were possible if the policy were changed, based on known and projected generator interconnection projects at the time IPL initiated its complaint.**
- On August 14, 2013, MISO filed at FERC a compliance filing with the applicable MISO tariff sections edited to reflect the July 18, 2013 FERC order.
- On August 16, 2013, ITC-M filed a rehearing request and in the alternative, a clarification. The rehearing request argued that FERC has:
  - Neglected to articulate a rational connection between the facts and its decision
  - Failed to justify its departure from prior decisions
  - Erred by ignoring its own cost causation policies
  - Erred by agreeing with the complaint without holding a hearing and finding that IPL met its burden of proof without an adequate record evidence upon which to make such a finding
  - Deprived ITC Midwest of meaningful FPA Section 205 rights
  - Erred by instituting rates for the ITC-M zone that discourages new generation

  As an alternative to a rehearing, ITC-M also asked for a clarification on the effective date of FERC's ordered changes and requested that customers with provisional GIAs as of July 18, 2013 will continue to be subject to the policy where ITC-M provided 100% reimbursement and that customers that have made M2 milestone payments as of July 18, 2013 will be subject to the 100% reimbursement policy formerly in place.
- On August 19, 2013, IPL also filed a request for clarification which sought to clarify that FERC's directed changes apply to existing GIAs that are amended after the date of the July 18 Order. As stated above, the order indicated FERC would handle these situations on a case-by-case basis. NextEra Energy Resources, Inc. filed a response to IPL's clarification objecting and requesting that that the new policy not apply to all amendments of GIAs following July 18, 2013, and in particular not to new network upgrades in such GIAs that are required because of the completion of interconnection studies required by the existing GIA.
- On September 16, 2013, FERC issued a tolling order related to the rehearing and clarification requests filed which gave FERC an open ended amount of time to consider the rehearing and clarification requests filed. In the meantime, the order of July 18, 2013 remained in effect as issued.

- On December 13, 2014, AEC and its subsidiary IPL filed a Form 8-K with the Securities and Exchange Commission (SEC). In this filing, AEC and IPL noted that IPL had expected to fund capital transmission upgrades for its planned Marshalltown Generation Station based on the July 18, 2013 FERC Order on ITC-M's Attachment FF and assumed such upgrades in its capital expenditure guidance issued on November 7, 2013. IPL has been informally notified that ITC-M intends to pursue an option under the terms of the MISO Generator Interconnection Procedures to self-fund the transmission upgrades associated with MGS. This self-fund option is under Attachment X of the MISO tariff, separate from Attachment FF. Under this option, IPL anticipates a direct assignment facility expense for the network upgrades after the upgrades are placed into service. IPL does not believe that the cost cap included in the Board's Proposed Decision and Order of November 9, 2013 would be affected if ITC-M were to ultimately self-fund the transmission upgrade.

Updated Results:

- **On February 20, 2014, FERC issued an order denying ITC-M's request for rehearing, granting in part and deny in part ITC-M and IPL's respective requests for clarification, and accepting MISO's compliance filing.**
    - Denies ITC-M's request for rehearing – Among the points FERC noted:
        - A "fundamental flaw" in the prior ITC-M policy in that it did not provide adequate contribution to the costs of network upgrades required to interconnect a generator from either the generator or a transmission customer taking service when the generator exports to another MISO pricing zone;
        - The July 2013 order is consistent with prior FERC precedent, which has sought to properly incentivize network upgrade benefits while protecting native load from improperly subsidizing generator interconnection;
        - In a prior order approving the existing MISO policy, FERC explicitly affirmed that the policy 'remains just and reasonable,' and still is;
        - The order does not create a subsidy in favor of existing transmission customers; and
        - The order does not discourage renewable generation.
    - Grants in part and denies in part ITC-M's request for clarification:
        - Upgrades identified in a provisional GIA that was executed or filed unexecuted prior to July 18, 2013, will be governed by the prior ITC-M policy. However, upgrades that are subsequently identified and incorporated into an amended and restated GIA, which may or may not be considered provisional at the time of amendment, and which were not included in a provisional GIA that was executed or filed unexecuted prior to July 18, 2013, will be governed by the new MISO policy in effect in the ITC-M zone after July 18, 2013.

        - Interconnection customers who had reached the MISO M2 milestone in the generator interconnection queue process prior to the July 18 Order will not remain eligible for reimbursement under the ITC-M policy, consistent with the finding in the Order that customers that have executed a GIA or filed an unexecuted GIA prior to July 18, 2013 remain eligible for reimbursement under the ITC-M Policy. If customers posted the M2 milestone and now wish to withdraw from the queue because of the changes ordered, and the MISO Tariff does not provide an opportunity for them to recoup their M2 milestone payment, those customers may file a request for waiver with FERC and present their case for recovery.
    - <u>Grants in part and denies in part IPL's requests for clarification</u>:
        - As discussed above, upgrades that are subsequently identified and incorporated into an amended and restated GIA, which may or may not be considered provisional at the time of the amendment, and which were not included in the provisional GIA that was executed or filed unexecuted prior to July 18, 2013, will be governed by the MISO policy in effect in the ITC-M zone after July 18, 2013.
        - However, as stated in the July 18 Order, FERC believes that amendments to non-provisional GIAs, i.e. permanent GIA's which may have additional upgrade responsibility due to re-study caused by projects dropping out of the queue, are more appropriately addressed on a case-by-case basis to give consideration to the situation giving rise to the amendments.
- **The February 20, 2014 FERC order substantially affirms the July 18, 2013 order where IPL prevailed in its complaint. Like the July 18, 2013 order, the February 20, 2014 order is overwhelmingly a positive for IPL and its customers.**
- **The February 20, 2014 FERC order is attached as Appendix 2.**
- **On March 24, 2014, NextEra Energy Resources, LLC (NextEra) filed at FERC a request for rehearing on the February 20 order. NextEra is asking for rehearing because two of its wind projects (Crystal Lake II and III) have provisional, executed GIAs filed in 2008 and 2009. MISO did not complete the system impact studies for these projects until March 2013. MISO has not yet amended the GIAs to include any additional network upgrades. Therefore, as a result of the February 20 order, NextEra argues it will be responsible for any additional network upgrade costs since the GIAs will be amended after the date of the original July 2013 order. NextEra argues that this is due to no fault of its own, but rather due to the delays of MISO studies and GIA amendments. NextEra had previously made a**

similar argument in a response to IPL's clarification request to the July 2013 order.

- **On April 23, 2014, FERC issued a Tolling Order on NextEra's rehearing request. In the absence of FERC action within 30 days from the date the rehearing request was filed, the request for rehearing would have been deemed denied. The tolling order affords FERC additional time for consideration of the rehearing request and will address it in a future order. It is not currently known when or how FERC might respond to NextEra's rehearing request, or what future impacts there might be for IPL, if any.**
- **It is also not known if or how ITC-M's potential use of the self-fund option might impact any transmission upgrade costs for the NextEra projects. MISO continues to operate under the revised MISO Tariff filed as ordered and effective as of the date of the July 18, 2013 order.**
- **IPL will continue to monitor the proceedings and engage further as needed.**

C. **MISO Industrial Customer Complaint Against MISO Transmission Owner Return on Equity (ROE) and Capital Structure** (Docket No. EL14-12-000)

On November 12, 2013, a group of industrial customer organizations in MISO filed a complaint at FERC seeking reduction of the base return on equity (12.38%) used by the MISO Transmission Owners (including ITC-M) transmission rates to 9.15 percent, instituting a capital structure in which the assumed equity component does not exceed 50 percent, and eliminating the ROE adders currently approved for the other ITC Holdings operating companies in Michigan (ITCTransmission and METC) for being a member of a regional transmission organization and for being an independent transmission owner.

The standard transmission ROE in MISO is 12.38%. ITC Midwest's rate is 12.38%, other ITC operating company rates range up to 13.88%.

As of September 2013 there were approximately nine pending specific transmission ROE complaints throughout the US. FERC has not resolved any of these complaints yet. Until the November 11, 2013 complaint against the MISO transmission owners, the primary complaint of note and interest had been the 2011 complaint of the Massachusetts Attorney General and others against the ISO-NE transmission owners' ROE.

FERC also has a rule making (RM) docket initiated by the WIRES group (Working group for Investment in Reliable and Economic electric Systems) requesting Commission guidance on ROE determination methodology that supports continued investment and ROE stability. FERC has not noticed the WIRES-related RM docket for comment.

IPL and its affiliates are precluded from supporting the MISO ROE complaint because of a prohibition against opposition, contestation, challenge or filing any complaint before FERC regarding ITC-M's rate, or taking any position with any third Person adverse to, ITC-M's initial rate and rate construct. This prohibition is part of the IPL and ITC-M transmission asset sale agreement and is in effect for a period of seven years after the date of the asset sale. The prohibition expires December 20, 2014.

- AECS filed a "doc less" intervention (without comments) in the docket on December 10, 2013 on behalf of IPL and WPL as interested parties. Filing such an intervention neither supports or opposes the complaint, but allows AECS and affiliates to stay abreast of further developments and potentially participate in future proceedings should the opportunity, need and ability to participate arise.

Discussions with FERC staff and Commissioners' public comments have indicated that Commission staff and the Commissioners are actively engaged in determining a course of action on ROEs.

Updated Results:

- **On June 19, 2014, FERC issued an order in response to the 2011 complaint of the Massachusetts Attorney General and others against the ISO-NE transmission owners' ROE. It provides some direction and guidance that can be expected to be applied to remaining ROE complaints, including the one against the MISO transmission owner ROE.**
- **FERC made the following particular rulings:**
  - **ISO-NE TOs' ROE are lowered from 11.14% to 10.57%. This is higher than the 9.7% recommended by the ALJ previously and the 8.7% sought in the complaint.**
  - **The methodology for determining ROE is revised using a 2-step discounted cash flow analysis that incorporates a long-term growth estimate.**
  - **Base ROEs are set at halfway point between the midpoint and top end of the zone of reasonableness. This higher than the previous practice of using the midpoint of the zone of reasonable comparisons, but continues to provide needed incentives for transmission and effectively caps a narrower range for the zone of reasonableness.**
  - **The revised methodology is consistent with that used in natural gas and oil pipeline ROE determination.**
  - **FERC will no longer make more current market adjustments to ROE after the close of record.**
  - **A paper hearing is set to determine the long-term growth rate estimate to be used in the final ISO-NE ROE determination.**
- **Other pending complaints are set for hearing and settlement judge procedures using the new methodology, but the complaint against MISO TOs is not one of them.**
- **It is not known when or specifically how FERC will act on the MISO TO ROE complaint. It is not currently known exactly how or when the June 19, 2014 FERC order may affect the MISO ROEs, including those of ITC-M.**
- **IPL will continue to monitor the proceedings.**

4. MISO Activity, IPL Participation

IPL's strategy includes maintaining active and vocal engagement with the related MISO processes that impact transmission rate components, including those of ITC-M, which may ultimately impact the costs to IPL customers.

IPL participates in various committees and meetings at MISO pertaining to transmission topics. Specifically, IPL is an active participant of the Planning Advisory Committee (PAC) as a representative of the Transmission Dependent Utility (TDU) sector. Other groups where IPL has representation include the Interconnection Process Task Force (IPTF), Planning Subcommittee (PSC) and the West Sub-Regional Planning Meeting (West SPM). IPL has been an active participant and voting stakeholder in the Regional Expansion Criteria Benefits (RECB) Task Force that is charged with shaping cost allocation policy.

A summary chart of the various MISO committees IPL participates in is provided in Figure 5. A few minor changes to the individuals representing AEC, IPL and affiliates on the various committees have occurred and Figure 5 has been updated from the prior Report.

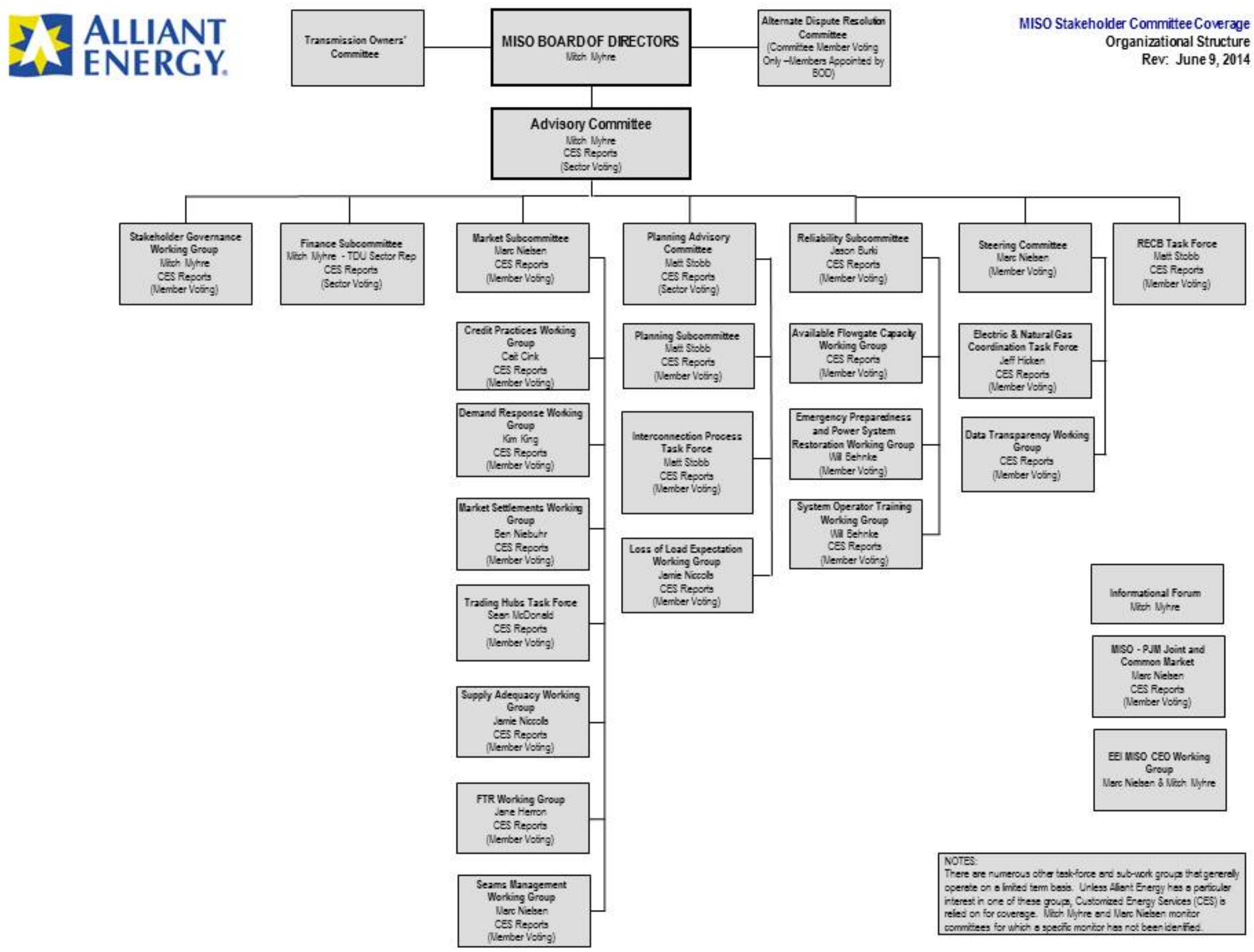


Figure 5 – AEC involvement at MISO

A significant annual activity that IPL participates in is the MISO Transmission Expansion Plan (MTEP) process.

IPL continues to be supportive of MISO's current cost allocation methodologies to the extent that those cost allocation methodologies ensure that IPL customers only pay the share of costs that provide benefit, and that all transmission expansion plans impacting the MISO system should be fully vetted through a regional and an inter-regional planning process.

Due to the scope and complexity of regional transmission planning, IPL does not perform independent cost-benefit analysis of the MTEP project portfolio, MVPs or individual ITC-M projects. For the MVPs in particular, due to the large interdependencies of the projects, the benefits are calculated on the portfolio as a whole consistent with FERC direction, rather than for individual projects. For all other non-MVP projects, such as market efficiency projects, a cost-benefit analysis is performed on a per-project basis and must meet certain cost-benefit criteria to be approved by MISO.

This scale of planning and cost-benefit analysis is best done at the regional level through a collaborative process. Therefore, IPL actively participates in the MISO planning processes through the various participant and stakeholder committees it is represented on.

IPL reviews the projects resulting from the MISO planning process and provides feedback to MISO on all projects potentially impacting the transmission service and cost to IPL customers, including those of ITC-M. IPL's criterion for the review of these planned projects follows the same general guidelines as the IPL criteria for intervention on Board dockets. In summary:

- IPL generally does not take a position on projects unrelated to IPL, including those of ITC-M. Such projects include those of other TOs whose costs are not passed on to IPL as well as those projects by ITC-M that support their other customers but do not necessarily provide a direct benefit to IPL or its customers.
- IPL generally supports projects that would improve reliability to IPL customers or the interconnected system, including those of ITC-M.
- IPL generally supports ITC-M projects related to the conversion of the 34.5kV and 115kV systems. These conversion plans were begun by IPL and ITC-M continues the efforts to complete that work, which IPL supports in the interests of improved system reliability for customers.

Consistent with its annual planning process, MISO released its pre-plan MTEP 14 project list in September 2013. IPL performed a review of the MTEP 2014 projects proposed, including those of ITC-M, through its participation in the MTEP process and provided feedback to ITC-M and MISO.

In the pre-plan MTEP 14 Appendix A project list, there were 262 projects identified totaling roughly $1.2 billion, of which 24 were ITC-M projects totaling approximately $72 million over 2014-2017.

Results:

- In November 2013, IPL reviewed the 24 ITC-M projects being submitted to MTEP 14, totaling $71.8 million. Consistent with its criteria as noted in *Section 2, Review, Analysis of and Response to ITC-M Dockets,* IPL provided comments to MISO and ITC-M:
    - IPL requested more information on 3 projects, totaling $10.6 million. IPL's questions are for more complete information to be shared regarding the rationale for the projects, alternatives considered and more specific details about locations for grouped project listings.
    - IPL does not take a position on 3 projects, totaling $12.5 million. (2 are funded by the specific customers involved and 1 is an interconnection for a non-IPL customer).
    - IPL supports the remaining 18 projects, totaling $48.7 million. IPL views all of them in the best interests of reliability for IPL customers as they are aging system rebuilds, new facilities supporting IPL distribution projects, or are for North American Electric Reliability Corporation (NERC) compliance.
- MISO has not identified a new portfolio of Candidate MVP projects since MTEP 11. IPL continues to monitor initiation and progress of the MTEP 11 MVPs.

Updated Results:

- **MISO and ITC-M have not yet directly responded to IPL's comments on MTEP 14 and request for additional information on 3 projects.**
- **On May 30, 2014, ITC-M made out-of-cycle requests for approval from MISO on four projects.**
- **IPL will continue engagement with MISO and ITC-M as IPL evaluates these and any other projects submitted for consideration in MTEP 14.**

5. <u>IPL and ITC-M's Joint Project Planning Process</u>

IPL personnel from various levels of authority routinely meet with ITC-M, from the executive level to engineering and operations, to discuss issues pertaining to project planning. These projects involve large capital projects, capital maintenance and routine operations and maintenance (O&M) projects.

IPL's engagement with ITC-M's project planning efforts is intended to:

- Ensure improvement of system reliability for IPL's customers;
- Influence demonstrated need, scope, design, timing and cost effectiveness in providing transmission service to IPL's customers;
- Coordinate and plan the IPL distribution projects impacted by or needed to support ITC-M projects; and
- Facilitate "constructability" meetings to align project timing for budgeting purposes, but also from a reliability perspective so as to minimize impacts to IPL customers.

Operating as the Planning Subcommittee (Figure 4), IPL's System Planning department meets monthly with ITC-M's Planning department. The two companies meet to coordinate conceptual planning, studies and work scope development.

Results:

- As noted in prior Reports, IPL and ITC-M had both participated in a Lean Six Sigma (LSS) process to improve planning coordination. Such coordination between IPL and ITC-M predominately involves ITC-M's continued rebuild and conversion of the 34.5kV system to 69kV. The results of this LSS project continue to help ensure:
    - Formal communication with notices of receipt that will promote both companies working from the most recent information.
    - Alignment on work plans through integration of ITC-M project information into IPL's project database.
    - Engineering alignment through earlier release of projects by IPL to match with ITC-M design schedules.
    - Budget alignment on multi-year plans through monthly meetings.
    - Cost savings from improved efficiency

  Support of ITC-M's 12-year rebuild plan continues to be a priority for IPL and ITC-M. Likewise, IPL desires to continue support of the 18-year conversion schedule for the reliability and operational benefits associated with conversion to

69kV. However, supporting the rebuild and conversion schedule continues to require close coordination on the need, priority, and budget alignment. IPL continues to believe that it is on track or ahead to meet the 18-year conversion schedule and that ITC-M is on track or ahead to meet the 12-year rebuild schedule and the 18-year conversion schedule.

- In general, for those projects that IPL and ITC-M collaborate closely on due to joint facilities, direct impact to IPL customers, proximity of work to IPL facilities, etc., IPL does not perform independent cost-benefit analysis of individual ITC-M projects. Such analysis is typically not done because many projects at this level are needed to provide reliable service to IPL customers. Rather, when IPL, through its experience and judgment, has observed what it considers excessive ITC-M costs, IPL has voiced those concerns to ITC-M. This has at times resulted in a change in scope, project sequence or duration by ITC-M that yields more cost-effective transmission and distribution service and reliability to IPL customers. These instances of project challenges by IPL have most occurred in the joint planning process, particularly on 34.5 to 69kV rebuild and conversion, and substation projects where IPL distribution facilities are directly impacted.

- IPL continues:
    - Close coordination with ITC-M on planned projects and costs to influence the prudency, priority, expected benefits, cost efficiency and pace of new capital investment;
    - Active engagement with the MTEP process at MISO on projects to challenge and influence project costs and justification as needed.

Updated Results:

- **One such project that requires very close and frequent coordination between IPL, ITC-M and MISO is the planned transmission interconnection and network upgrades to accommodate in-service commissioning of IPL's approved Marshalltown Generation Station (MGS), planned for an in-service date of 2017. MGS is a nominal 650 MW natural gas / combined cycle generation station planned at Marshalltown, Iowa, adjacent to existing generation facilities. The original MISO System Planning and Analysis (SPA) Study for the MGS transmission interconnection and network upgrades indicated a 345kV solution at a cost of approximately $258 million. The most recent Definitive Planning Phase (DPP) Study indicates a 161kV solution at $25 - $60 million. On May 13, 2014, IPL was notified by MISO that MISO must conduct a DPP Restudy due to 5 projects being withdrawn in the MISO generator interconnection queue. All 5 projects are wind energy projects, and the amount of total generation change—greater than 500 MW across the MISO system—is expected to materially impact the study results. The DPP Restudy results are expected later in 2014, followed by a completed Generation Interconnection Agreement (GIA).**

6. IPL Analysis of ITC- M and MISO Rates

IPL has an internal process to project transmission expenses, using anticipated MISO billings (including those for MVPs), ITC-M revenue requirements projections and capital expense projections among other variables. IPL incorporates its transmission expense projections into energy pricing outlooks for overall industrial customer rates with customers, including transmission, through various customer communications and interactions. These energy pricing outlooks are communicated through periodic webinars and presentations at customer forums such as the annual IPL Energy Summit and the semi-annual IPL Transmission Stakeholder meetings. These pricing outlooks are updated as new information becomes available, such as the ITC-M Attachment O True-Up for the prior year posted in June and the ITC-M projected Attachment O rate for the next year posted by September and IPL's determination of the annual Regional Transmission Service (RTS) factors filed with the Board each November.

Updated Results:

- **ITC-M made available updated revenue requirements projections in May 2014, as posted on their OASIS site at http://www.oasis.oati.com/ITCM/, item number 88.**
- **ITC-M also recently posted the 2013 True-Up Adjustment on its MISO OASIS website at http://www.oasis.oati.com/ITCM/, item number 87. The posted True-Up information indicates customers of ITC-M will receive an approximately $10.1 million refund to be applied to ITC's 2015 rates.**
- **IPL is reviewing the additional information made available under this posting via the updated MISO Formula Rate Protocols as described in *Section 3. Transmission Regulatory Activity, IPL Engagement*, and will submit questions as needed to ITC-M to better understand the basis for the True-Up posting. In addition, IPL will participate in ITC-M's announced July 10, 2014 True-Up review meeting, made available under the updated MISO Formula Rate Protocols.**
- **Likewise, IPL will review the ITC-M Attachment O rate for the next year when posted by September 1 and will submit questions as needed to ITC-M under the updated MISO Formula Rate Protocols.**

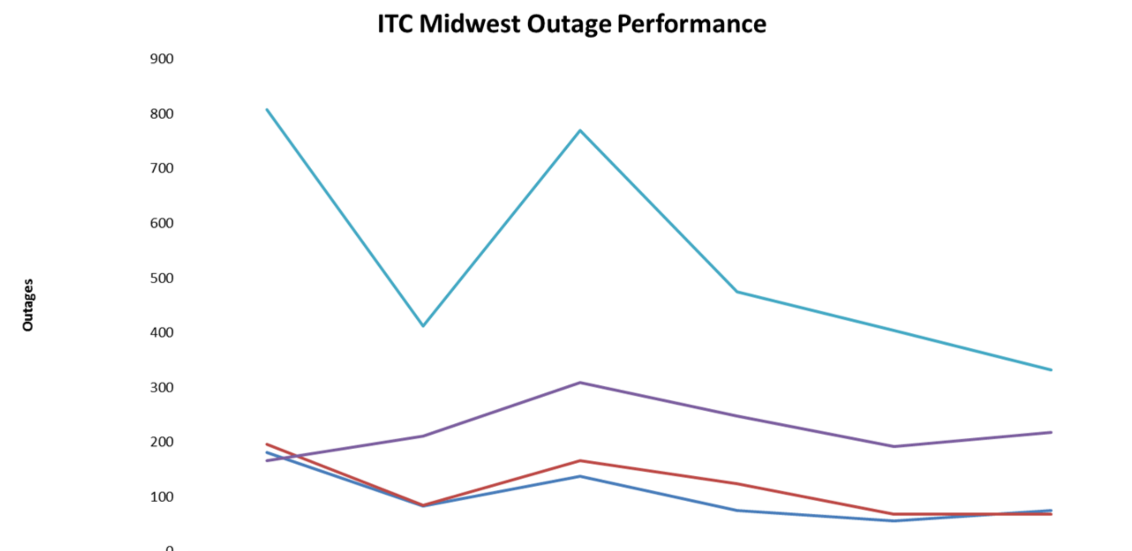
IPL recognizes and acknowledges that ITC-M is making needed investments in the transmission system, and that transmission reliability is improving as a result. IPL further recognizes that some transmission investment cost is-- and will continue to be driven by-- an aging system, integration of renewable resources and evolving regulation on planning, cost allocation and environmental compliance.

7. Transmission Outage Performance and Operations Coordination

As part of the joint IPL/ITC-M Operations Committee, representatives of IPL's Distribution Dispatch Center meet monthly with their counterparts from ITC-M's field operations and Operations Control Room to discuss outage history, reliability metrics and other operations-related topics.

Updated Results: Reliability and asset performance metrics have been updated with full year 2013 data and are shown in Figures 6, 7, and 8.

From the asset performance data provided by ITC-M representing the number of transmission line outages, IPL has updated the graph shown in Figure 6. Through 2013, the data illustrates a continued improvement trend of fewer sustained and momentary outages since the transmission asset sale by IPL and purchase by ITC-M. The years 2008 and 2010 data are considered abnormal due to the number and severity of weather events. Data for this particular metric is only available back to 2008 when ITC-M acquired the transmission system, since IPL tracked outage statistics in a different way prior to 2008.



	2008	2009	2010	2011	2012	2013
Sustained 69kV+	182	84	138	76	57	75
Sustained 34.5kV	196	85	166	125	69	69
Momentary 69kV+	167	212	310	248	192	219
Momentary 34.5kV	808	413	770	475	404	333

Figure 6 – ITC-M Outage Performance

Industry standard measures of the customer outage experience (SAIDI and SAIFI; transmission only) are shown again in Figures 7 and 8, updated by IPL for full year 2013. These metrics provide a long term comparison of both reliability and restoration performance, since the data have been consistently collected by IPL before and after the transmission system sale to ITC-M. The data illustrates the customer reliability performance in terms of transmission only for the period 2001–2013. While weather events can also greatly impact these measures, "major" events such as the 2007 ice storm and 2008 floods have been excluded using Board criteria. Consistent with the ITC-M Outage Performance data, IPL's transmission SAIDI and SAIFI data illustrates a continued improvement trend of fewer and shorter sustained outages since the transmission asset purchase by ITC-M.

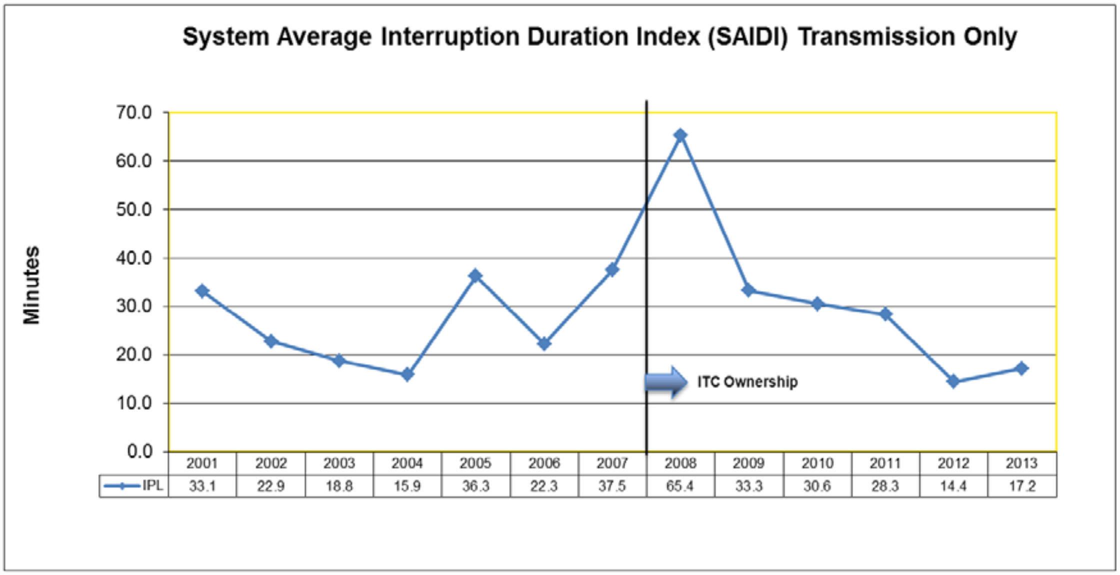


Figure 7 – Transmission Reliability, SAIDI (System Average Interruption Duration Index) - Average length in minutes of outages for all customers.

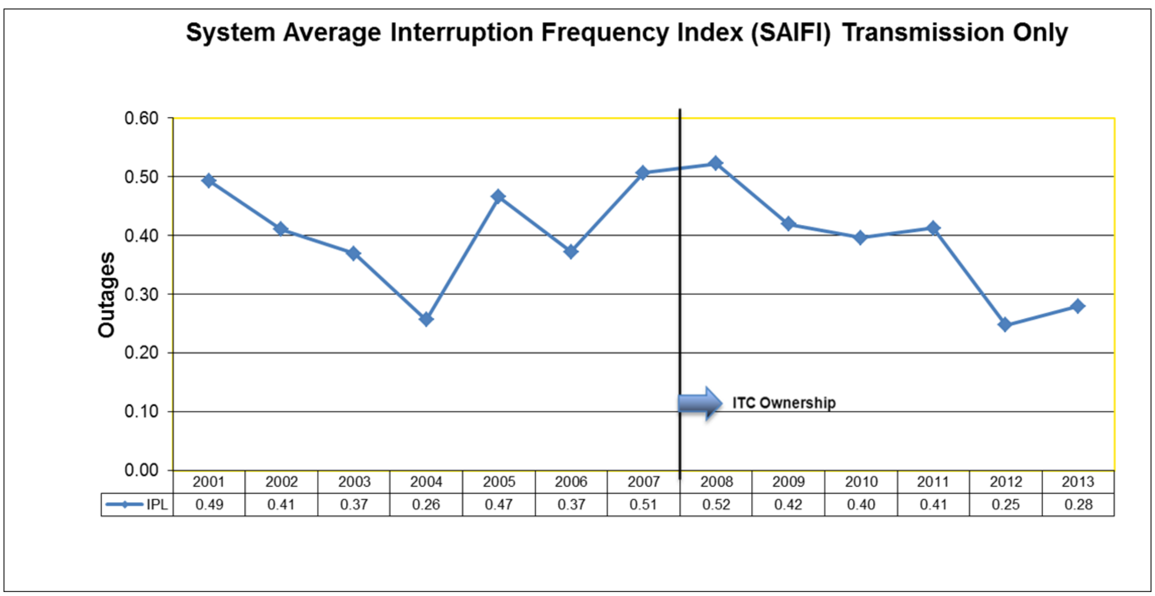


Figure 8 – Transmission Reliability, SAIFI (System Average Interruption Frequency Index) - Average number of outages experienced by all customers.

Results:

- Transmission reliability continues to improve, in large part due to ITC-M maintenance, rebuilds, conversion, and new facility construction. A general improvement trend in the number and duration of customer outages is observed in the metrics illustrated in the Figures 6, 7 and 8 above since the transmission assets were acquired by ITC-M.

- IPL and ITC-M have continued the efforts described in prior Reports to:
  - Minimize impacts to large industrial customers from planned outages. Through experience, both IPL and ITC-M have become more aware of the circumstances under which the unplanned outage risk is increased associated with ITC-M work. This has led to better recognition of those circumstances farther in advance, improved coordination and contingency planning. The processes and resulting coordination continue it evolve and improve. As noted in prior reports, the position of Senior Transmission Specialist was created and staffed in May 2013.This position was created to facilitate coordination of details around planned ITC-M transmission outages needed to support ITC-M maintenance, rebuilds, conversion and new facility construction, farther in advance. In addition, the Specialist facilitates identifying and negotiating alternatives to proposed work that optimizes schedule, priority, scope; minimizes customer risk and assists in developing contingency plans. This position and the development of new and updated processes and procedures by IPL have been well received by ITC-M. IPL observes that the creation of this position and the development of new and updated processes and procedures have resulted in much more efficient joint outage planning and better ability to plan work farther in advance. Much less short term reactionary planning is occurring, resulting in more efficient use of IPL and ITC-M resources and better coordination involving key IPL industrial customers, farther in advance.
  - Collect IPL large customer plant planned outage and maintenance schedules. This helps optimize ITC-M system maintenance scheduling and minimize inconvenience and unplanned outage risk for IPL customers.
  - Improve communications with customers by IPL and ITC-M. IPL's Account Management and ITC-M's Stakeholder Relations groups continue to coordinate closely on communications, particularly with large, transmission-connected customers, improving service and minimize conflicting or confusing messaging.
  - Estimate outage reduction cost savings. In 2013, IPL and ITC-M worked together using the US Department of Energy ICE (Interruption Cost Estimate) Calculator (ICE Calculator) to estimate the potential outage cost savings resulting from the improved reliability resulting thus far since ITC-M assumed ownership and operation of the transmission system. Based on ITC-M's transmission ownership, investment and improved reliability in years 2008-2013, the estimated outage cost savings to customers are likely in the range of $168-498 million, over the life of the assets in 2013 $.

8. <u>Transmission Stakeholder Meetings</u>

On May 29, 2014, IPL held its seventh semi-annual Transmission Stakeholder meeting in Cedar Rapids.

Invitations were again extended to IPL customers, customer consortium representatives, the Board staff, OCA staff and other stakeholders as has been done with past Transmission Stakeholder meetings. With similar attendance to prior meetings;

participating in the meeting were representatives from eight IPL customers, one customer consortium representative (ICC), three OCA representatives, four ITC-M staff and various IPL staff. The summary agenda included:

- Transmission Activity Update, including
  - Reliability metric update
- Planning & Projects Coordination
  - MGS transmission interconnection planning.
- Rates & Settlement Update
- Energy Markets Overview
- Transmission Policy / Regulatory Update
- ITC Midwest Update
- Upcoming Transmission Activities

The agenda and meeting presentations are attached to this Report as Appendix 3.

9. Timetable of Events Influencing Transmission Rates & Service

A timetable of events in 2014 which have influence on transmission rates and project planning is listed in Table 3.

Table 3 – Timetable of transmission events influencing transmission rates & service

2014	Description
June	• ITC-M 2013 True-Up amount posted. • Revised MISO Attachment O protocols in effect; additional rate information evaluation.
July	• ITC-M True-Up Review Meeting on July 10; IPL will participate.
September - December	• IPL analysis and evaluation of ITC-M Attachment O rate for 2015. • Initial IPL evaluation and feedback on ITC-M projects in MTEP 2015. • ITC-M and others to hold Joint Transmission Owner meeting on regional projects such as MVPs by November 1.
September	• ITC-M 2015 Attachment O rates posted by September 1.
November	• IPL 2015 Transmission Rider Factors submitted to the Board.
December	• IPL Transmission Stakeholder meeting in early December. • IPL 2015 Transmission Rider Factors approval by the Board normally anticipated. • MISO Board of Directors consideration for approval of MTEP 2014 projects. • Expiration of prohibition against IPL or affiliate challenge to ITC Midwest initial rates and rate construct.
2015	**Description**
January - December	• On-going IPL / ITC-M Planning, Project, Operations, and Executive meetings. • On-going IPL evaluation and analysis of any new information that may impact ITC-M Attachment O rates.
January	• IPL 2015 Transmission Rider Factors anticipated to be in effect.

10. <u>Conclusions</u>

IPL believes the results detailed in this Report continue to demonstrate that its actions have had a positive influence in managing the relationship with ITC-M and with IPL's customers toward reliable and cost-effective service.

While IPL and ITC-M may hold differing positions on certain cost allocation, rate increase and capital investment pace issues, the companies continue to coordinate well on operations and planning issues and view the relationship as a partnership.

IPL recognizes and acknowledges that ITC-M is making needed investments in the transmission system. Considerable investment in transmission system rebuilds, conversion and new facility construction continues. Transmission system reliability has improved.

IPL further recognizes that some transmission investment cost is-- and will continue to be driven by-- an aging system, integration of renewable resources and evolving regulation on planning, cost allocation and environmental compliance. IPL will continue:

- Close coordination with ITC-M on planned projects and costs to influence the prudency, priority, expected benefits, cost efficiency and pace of new capital investment;
- Active engagement with the MTEP process at MISO on projects to challenge and influence project costs and justification as needed; and
- Active engagement at FERC on cost allocation and other transmission policy issues

With the results noted in this Report, IPL has demonstrated that it has and will continue to engage regulatory policy, MISO processes and ITC-M directly through appropriate venues with the objective of reliable and cost-effective electric service to IPL customers.

A notable example of results from such engagement that IPL highlights since the December Report is the MISO Formula Rate Protocols activity where FERC's March 20, 2014 order recognized the comments made by AECS, OMS, and others that new protocols should apply to projected revenue requirements and ordered a revised compliance filing. The MISO TOs filed revised compliance on May 19, 2014, reflecting changes in the protocols that also apply to projected revenue requirements.

While the overall benefits of these collective efforts are difficult to quantify, IPL believes its efforts are in the right direction. IPL believes its advocacy on behalf of customers has helped ITC-M increase its sensitivity to cost concerns and the need to provide justification for, and articulation of the benefits from, ITC-M's transmission system investments.

Appendix 1 – May 19, 2014 MISO and TOs Compliance Filing for MISO Formula Rate Protocols (Docket No. ER13-2379-000)

(The following is an overview of the full compliance filing. The full compliance filing includes revised clean and red-lined tariff versions that are lengthy and not attached to this Report. The full version of the compliance filing that includes the clean and red-lined tariff versions can be found on the FERC eLibrary General Search site at: http://elibrary.ferc.gov/idmws/search/fercgensearch.asp, under Docket No. (ER13-2379.))

Appendix 1

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May 19, 2014

The Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, DC 20426

Re: ***Midcontinent Independent System Operator, Inc., et al.***
Docket No. ER13-2379-00__
Compliance Filing Revising Attachment O Formula Rate Protocols

Dear Secretary Bose:

Pursuant to the Federal Energy Regulatory Commission's ("Commission") March 20, 2014 order in this proceeding,[1] the MISO Transmission Owners[2] and the

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1 *Midcontinent Indep. Sys. Operator, Inc.*, 146 FERC ¶ 61,212 (2014) ("March 2014 Order").

2 The MISO Transmission Owners for this filing consist of: Ameren Services Company, as agent for Union Electric Company d/b/a Ameren Missouri ("Ameren Missouri"), Ameren Illinois Company d/b/a Ameren Illinois ("AIC"), and Ameren Transmission Company of Illinois ("ATXI"); American Transmission Company LLC ("ATC"); Big Rivers Electric Corporation; City Water, Light & Power (Springfield, IL); Cleco Power LLC ("Cleco"); Dairyland Power Cooperative ("Dairyland" or "DPC"); Duke Energy Business Services, LLC acting as agent for Duke Energy Indiana, Inc.; Entergy Arkansas, Inc.; Entergy Louisiana, LLC; Entergy Gulf States Louisiana, L.L.C.; Entergy Mississippi, Inc.; Entergy New Orleans, Inc.; Entergy Texas, Inc.; Great River Energy ("GRE"); Hoosier Energy Rural Electric Cooperative, Inc.; Indiana Municipal Power Agency; Indianapolis Power & Light Company; International Transmission Company d/b/a ITC*Transmission* ("International"); ITC Midwest LLC ("ITC Midwest"); Michigan Electric Transmission Company, LLC ("METC") (collectively, International, ITC Midwest, and METC are referred to as the "ITC Companies"); Michigan Public Power Agency; MidAmerican Energy Company; Minnesota Power (and its subsidiary Superior Water, L&P) (collectively, "Minnesota Power"); Missouri River Energy Services ("MRES"); Montana-Dakota Utilities Co. ("MDU"); Northern States Power Company, a Minnesota corporation, and Northern States Power Company, a Wisconsin corporation, subsidiaries of Xcel Energy Inc.; Northwestern Wisconsin Electric Company; Otter Tail Power Company; Prairie Power Inc.; Southern Illinois Power Cooperative; Southern Minnesota Municipal Power Agency ("SMMPA"); Wabash Valley Power
(continued . . .)

Midcontinent Independent System Operator, Inc. ("MISO," formerly known as the Midwest Independent Transmission System Operator, Inc.,[3] and collectively with the MISO Transmission Owners, the "Filing Parties") submit revisions to Attachment O of the MISO Open Access Transmission, Energy and Operating Reserve Markets Tariff ("Tariff") to comply with Commission directives.[4] Consistent with the effective date adopted by the Commission for the Filing Parties' September 13, 2013 filing in this proceeding,[5] the Filing Parties request that the Commission accept the Tariff revisions submitted in this filing to be effective January 1, 2014.[6]

(. . . continued)
Association, Inc.; and Wolverine Power Supply Cooperative, Inc. Central Minnesota Municipal Power Agency was listed as a MISO Transmission Owner in the Filing Parties' previous compliance filing in this proceeding, but will be filing separately to comply with the March 2014 Order.

3 MISO is submitting this filing in its role as administrator of the Tariff and in compliance with the March 2014 Order, but reserves the right to comment separately, as may be needed, in this docket.

4 The City of Columbia Water and Light Department (Columbia, MO) and the Municipal Electric Utility of the City of Cedar Falls, Iowa, both of which have a compliance obligation, have authorized the Filing Parties to state that they will follow the Filing Parties' proposed formula rate protocols that are being submitted in this filing. Montezuma Municipal Light & Power, Iowa and Tipton Municipal Utilities, which also have a compliance obligation, have authorized the Filing Parties to state that they will follow the applicable formula rate protocols, that is they will follow the formula rate protocols for transmission owners using a historical Attachment O rate formula template. Atlantic Municipal Utilities of Atlantic, Iowa, Eldridge, Iowa, Glencoe, Minnesota, the Iowa Public Power Agency, and Pella, Iowa are not named as respondents in the March 2014 Order, but they also authorize the Filing Parties to state that they will comply with the formula rate protocols. They plan to use the formula rate protocols for transmission owners using a historical Attachment O rate formula template. East Texas Electric Cooperative, Inc., on behalf of Tex-La Electric Cooperative of Texas, Inc., also is not named as a respondent in the March 20 Order, but it authorizes the Filing Parties to state that it will incorporate into its template the applicable formula rate protocols.

5 Compliance Filing Revising Attachment O Formula Rate Protocols of Midcontinent Independent System Operator, Inc., et al., Docket No. ER13-2379-000 (Sept. 13, 2013) ("September 2013 Filing").

6 Cleco Power LLC joins the compliance filing to add the generic historic protocols to its company-specific Attachment O. *See Midcontinent Indep. Sys. Operator, Inc.*, 145 FERC ¶ 61,208, at P 17 (2013) (noting that the revised formula rate
(continued . . .)

I. BACKGROUND

Under Attachment O of the Tariff, a transmission owner's revenue requirement is determined based on either historical cost data or pursuant to a forward-looking formula rate based on projected data that is trued-up pursuant to Commission-approved procedures. Both the historical and forward-looking rate formulas use data based on each transmission owner's FERC Form 1, Rural Utilities Service ("RUS") Form 12, or Energy Information Administration ("EIA") Form 412,[7] as applicable (generally, the "Applicable Form"). As noted, the forward-looking templates also use projected data subject to an Annual True-Up.

On May 17, 2012, the Commission initiated an investigation and paper hearing procedures to determine whether the existing Attachment O formula rate protocols in the Tariff were sufficient regarding: (1) the scope of participation in information exchanges surrounding annual rate updates; (2) the transparency of the information exchanged; and (3) the ability to challenge a transmission owner's implementation of its formula rate.[8]

On May 16, 2013, the Commission issued an order finding that MISO's existing protocols have become "insufficient to ensure just and reasonable rates"[9] and directing MISO and the named MISO Transmission Owners to file revised protocols to enhance the scope of participation by Interested Parties, increase transparency in the information provided to Interested Parties, adopt procedures by which Interested Parties can challenge a transmission owner's implementation of its formula rate, and establish a requirement that each owner submit an annual informational filing.[10] MISO and the MISO

(. . . continued)
protocols required to be placed in the Tariff will be applicable to all transmission owners, including Cleco).

7 While the EIA no longer requires the submission of Form 412, the Commission has indicated that the continued use of Form 412 data is appropriate for cooperative and municipal transmission owners. *See Midwest Indep. Transmission Sys. Operator, Inc.*, 117 FERC ¶ 61,032, at P 5 (2006). As authorized by the Commission, GRE uses its Annual Operating Report, which is based on and utilizes the RUS Uniform System of Accounts, to develop its revenue requirement under Attachment O – GRE. *See Great River Energy*, 130 FERC ¶ 61,001, at PP 1, 2 n.6, ordering para. (B) (2010).

8 *Midwest Indep. Transmission Sys. Operator, Inc.*, 139 FERC ¶ 61,127, at PP 5, 8, 11-20 (2012) ("May 2012 Order").

9 *Midwest Indep. Transmission Sys. Operator, Inc.*, 143 FERC ¶ 61,149, at PP 1, 16 (2013) ("May 2013 Order"), *reh'g denied*, 146 FERC ¶ 61,209 (2014).

10 *Id.* at PP 17-19.

Transmission Owners submitted protocols to comply with these requirements in the September 2013 Filing.

In its March 2014 Order, the Commission conditionally accepted the revised protocols submitted in the September 2013 Filing, effective January 1, 2014, subject to submission of an additional compliance filing.[11]

II. COMPLIANCE FILING

In the March 2014 Order, the Commission found that the revised Attachment O formula rate protocols appropriately define the scope of participation in each transmission owner's annual rate update.[12] However, the Commission ordered additional revisions to: (1) address the transparency of the information exchange process; (2) modify the Informal and Formal Challenge procedures; and (3) apply the enhanced information exchange and challenge procedures to the process for establishing a transmission owner's projected net revenue requirement for those transmission owners using a forward-looking formula rate.[13]

As with their previous filing in this proceeding, the MISO Transmission Owners worked collectively to develop consistent procedures for all transmission owners regardless of which Applicable Form they use and whether their revenue requirement is based on historic or projected cost data. To avoid confusion and duplication of effort on the part of Interested Parties and the MISO Transmission Owners, the proposed protocols adopt a combined Information Exchange Period and Review Period that applies both to the Annual True-Up and the projected net revenue requirement for companies using a forward-looking rate formula. Rather than having separate Information Exchange and Review Periods for the Annual True-Up and projected net revenue requirement posting, the revised timeline proposed in this filing will be simpler and more straightforward for transmission owners to administer and Interested Parties to follow. Because all transmission owners have an obligation to post rate information on or about June 1 of each year[14] (i.e., the Annual Update for transmission owners using historic cost data and the Annual True-Up for transmission owners using projected cost data), all of the subsequent deadlines are tied to the June 1 "Publication Date." The revised timeline for the information exchange and challenge process is described in more detail below.

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[11] March 2014 Order at PP 1, 14, 126-28.

[12] *Id.* at PP 18-19.

[13] *See generally id.* at PP 58-73, 103-15 (directing additional compliance revisions to address transparency and challenge procedures).

[14] As the Commission recognized and the protocols reflect, if June 1 falls on a weekend or Commission holiday, the posting is due on the next business day. *See, e.g., id.* at P 61.

For the Commission's convenience, the Filing Parties include illustrative versions of the generally applicable historical and forward-looking protocols as Attachments A and B, respectively. The revisions reflected in Attachment B have been incorporated into the formula rate protocols of each transmission owner with a company-specific, forward-looking formula rate, as demonstrated in the clean and redlined Tariff sections submitted in this filing.[15]

A. Applicability to Projected Rates

In the September 2013 Filing, the MISO Transmission Owners proposed that the enhanced formula rate protocol procedures (including scope of participation, information exchange, and challenge procedures) would apply to calculation of the Annual Update for companies using rates based on historical data and to the Annual True-Up for companies using a forward-looking rate formula.[16] The rationale for this proposal was twofold: (1) individual companies with forward-looking formula rates already had adopted procedures for exchange of information and participation by parties; and (2) applying the enhanced information exchange and challenge procedures to projected rates that are not based on "final" cost data is duplicative and unnecessary.[17] In the March 2014 Order, the Commission disagreed with the MISO Transmission Owners and mandated that the enhanced protocols apply both to the Annual True-Up and the projected net revenue requirement for transmission owners with forward-looking rates.[18]

The MISO Transmission Owners propose in this filing several revisions to apply the enhanced information exchange and challenge procedures to projected rates. First, as discussed above, the MISO Transmission Owners have modified the timeline for submission and responses to information requests, challenges, and annual informational filings. The revised timeline applies both to companies using historical rates and those with a forward-looking rate formula and consolidates the process for the Annual True-Ups and projected net revenue requirements. The revised timeline is as follows:

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15 The revisions reflected in Attachment A have been incorporated into SMMPA's formula rate protocols. *See* Revised Tariff at Attachment O – SMMPA. This filing also includes new protocols for Cleco, which are based on the historical formula rate protocols reflected in Attachment A. *See id*. at Attachment O – Cleco.

16 September 2013 Filing at 7; *see also* Answer of the MISO Transmission Owners, Docket No. ER13-2379-000, at 31 (Nov. 15, 2013) ("MISO Transmission Owners Answer").

17 September 2013 Filing at 7-8; MISO Transmission Owners Answer at 31-32.

18 March 2014 Order at P 62.

DATE	ACTION
June 1[19]	Publication Date for Annual Update or Annual True-Up (Information Exchange Period and Review Period begin)
September 1	Deadline to hold annual meeting on Annual Update or Annual True-Up
Between September 1 and October 1	Deadline for individual transmission owner to post projected net revenue requirement
Between September 1 and October 31	Deadline for individual transmission owner to hold meeting on projected net revenue requirement
November 1	Deadline for joint meeting on regional cost-shared projects
December 1	Deadline for Interested Parties to submit information requests
January 10	Deadline for transmission owner to respond to information requests
January 31	Deadline for Interested Parties to submit Informal Challenges
February 28	Deadline for transmission owner to respond to Informal Challenges
March 15	Deadline to submit Informational Filing to the Commission
March 31	Deadline for Interested Parties to file Formal Challenge at the Commission

To comply with the Commission's requirements to extend the enhanced protocol procedures to the projected net revenue requirements,[20] allow sufficient time for the submission of information requests after annual meetings, provide adequate time after all

[19] As noted in its formula rate protocols, Dairyland Power Cooperative will not post a True-Up in June 2014 because its forward-looking rate formula was accepted by the Commission effective January 1, 2014, so its first True-Up will be posted in June 2015 for the 2014 rate year. *See* Revised Tariff at Attachment O – DPC § II.D n.1.

[20] March 2014 Order at P 62.

transmission owner responses to information requests to submit Informal Challenges,[21] and allow for the filing of Formal Challenges after the submission of the annual informational filing,[22] the MISO Transmission Owners have significantly expanded the timeline from the timeline proposed in the September 13 Filing, which requires changes throughout the protocols.[23] Moreover, to avoid confusion, the MISO Transmission Owners have revised the protocols to refer to specific dates (e.g., December 1) rather than to time periods following certain events (e.g., 120 days after the Publication Date).

Second, the MISO Transmission Owners have added the phrases "and projected net revenue requirement" and "or projected net revenue requirement" throughout the protocols as necessary to ensure that the information exchange and challenge procedures apply both to the Annual True-Up and the projected net revenue requirement.[24] Likewise, the MISO Transmission Owners have revised the protocols to remove references to the "Annual True-Up" or "True-Up" that might be perceived as inappropriately limiting the applicability of the protocol provisions.[25]

Third, the MISO Transmission Owners have adopted provisions governing the posting of the projected net revenue requirement[26] and each transmission owner's

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21 *Id.* at P 104.

22 *Id.* at P 113.

23 *See* Attachment A §§ III.A, III.B, IV.A, IV.B, IV.G, VI.A; Attachment B §§ III.A, III.B, IV.A, IV.B, IV.G, VI.A. The Transmission Owners have also made conforming revisions. *See, e.g.*, Attachment A §§ III.A (removing language stating that all information and document requests must be submitted by October 1 that has been superseded by the revised timeline proposed in this filing), IV.A (defining the "Review Period" as the period from the Publication Date until January 31); Attachment B §§ II.D (defining the "Publication Date" as the date that the Annual True-Up is posted), III.A (removing language stating that all information and document requests must be submitted by October 1 that has been superseded by the revised timeline proposed in this filing), IV.A (defining the "Review Period" as the period from the Publication Date until January 31).

24 *See* Attachment B §§ I, II, II.D, III, III.A, IV.A, IV.D, IV.F, IV.H, IV.J, V.

25 *See, e.g.*, *id.* §§ I, III.B, IV.H.

26 *See id.* § II.C. Each individual Transmission Owner with a forward-looking formula rate has a specified date for posting its projected net revenue requirement, as set forth in Section II.C of its company-specific protocols. *See, e.g.*, Revised Tariff at Attachment O – AIC § II.C; *id.* at Attachment O – ATC § II.C; *id.* at Attachment O – OTP § II.C. Adopting a uniform deadline for each transmission owner to post its projected net revenue requirement is problematic because the projected net revenue requirement is based on budget forecasts, and each

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deadline for hosting an annual meeting on the projected net revenue requirement.[27] In the March 2014 Order, the Commission accepted the MISO Transmission Owners' commitment to change the deadline for each transmission owner to hold its annual meeting from October 1 to September 1.[28] This commitment was premised on the MISO Transmission Owners' proposal that the enhanced protocol procedures would not apply to the projected net revenue requirement. Given the Commission's mandate that the enhanced protocol procedures apply both to the Annual True-Up and projected net revenue requirement, it is impossible for many transmission owners to hold an annual meeting on the projected net revenue requirement by September 1 because many of the transmission owners' projected net revenue requirements are not available sufficiently in advance of September 1 to allow for posting and Interested Party review prior to holding a meeting.[29] Accordingly, the protocols have been revised to provide for two meetings (one on the Annual True-Up by September 1 and one to address the projected net revenue requirement) and, as discussed above,[30] the MISO Transmission Owners have extended the deadline to submit information requests to ensure that sufficient time exists for Interested Parties to submit information requests after each transmission owner has held all required annual meetings.

Fourth, the MISO Transmission Owners have adopted a new Section II.F specifying the requirements for the projected net revenue requirement posting.[31] This list is based on the existing list of items required for the Annual True-Up posting in Section II.E (formerly Section II.D), modified as necessary to be appropriate for the projected net revenue requirement.

(. . . continued)
transmission owner has its own unique internal budgeting process and schedule. In addition, there are different requirements put on certain transmission owners by their customers to make these postings by certain dates. The revised Tariff sheets included in this filing include deadlines for transmission owners to post their projected net revenue requirements sometime between September 1 and October 1 of each year, which is well before the proposed December 1 deadline to submit information requests.

27 *See* Attachment B § II.H. This also requires a minor conforming change to Section II.G to specify that the meeting held by September 1 will address the Annual True-Up posting and True-Up Adjustment. *See id.* § II.G.

28 March 2014 Order at P 60.

29 *See supra* note 26.

30 *Supra* Section II.A.

31 *See* Attachment B § II.F.

Fifth, the MISO Transmission Owners have revised the protocols to remove Section III.D, which stated that transmission owners will follow the information exchange procedures set forth in Section VII for their projected net revenue requirement.[32] This language has been removed because it conflicts with the requirement that all of the enhanced information exchange and challenge procedures apply to the projected net revenue requirement.[33]

Sixth, the MISO Transmission Owners have revised the protocols to state that the annual informational filing will include information reasonably necessary to determine "the reasonableness of projected costs,"[34] in accordance with the Commission's directive in the March 2014 Order.[35]

Finally, each MISO Transmission Owner with a company-specific forward-looking formula rate template has revised Section VII of its protocols to remove language that has been rendered redundant or superseded by the revisions proposed in this filing, and to make the language in this section consistent with the revised protocols in Sections I through VI as necessary.[36]

The revisions summarized above fully comply with the March 2014 Order and the Commission should accept them as sufficient to ensure just and reasonable rates, without further modification or compliance.

B. Transparency

In the March 2014 Order, the Commission found that the proposed protocols relating to transparency "generally comply with the requirements of the May [2013] Order" and "conditionally accept[ed] them, subject to further compliance."[37]

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32 *See id.* § III.D (deleted).

33 *See* March 2014 Order at P 62.

34 *See* Attachment B § VI.A.

35 March 2014 Order at P 62.

36 These deletions and revisions can be seen in Section VII of the redlined versions of the company-specific protocols for the MISO Transmission Owners that use a forward-looking formula rate. *See, e.g.*, Revised Tariff at Attachment O – AIC § VII (redlined version); *id.* at Attachment O – ALLETE, Inc. dba Minnesota Power § VII (redlined version); *id.* at Attachment O – GRE § VII (redlined version).

37 March 2014 Order at P 58.

Consistent with the MISO Transmission Owners' commitment in their November 15, 2013 answer,[38] the Commission directed the MISO Transmission Owners "to amend section II.E of the proposed protocols to provide that notice will be provided through an email 'exploder' list to be maintained by MISO."[39] The Commission further directed "the MISO Transmission Owners to revise the protocols to provide notice within 10 days of posting the annual update [or] true-up and provide notice of the annual meeting no less than seven days prior to such meeting."[40] The Filing Parties have revised the protocols to require that notice of the Annual Update or Annual True-Up posting will be provided via the MISO exploder lists within ten days of posting, and that notice of meetings will be provided seven days prior to such meetings.[41]

The Commission also ordered the MISO Transmission Owners to propose in this filing "a process for transmission owners with transmission projects that utilize a regional cost sharing mechanism to coordinate and hold joint meetings to enable all interested parties to understand how those transmission owners are implementing their formula rates for cost recovery of such projects."[42] In response to this directive, the MISO Transmission Owners have modified the generic protocols and each company-specific set of protocols to require transmission owners with transmission projects that utilize a regional cost sharing mechanism to hold a joint informational meeting by November 1 of each year (or the next business day if November 1 is a Commission-recognized holiday or weekend), to enable all Interested Parties to understand how those transmission owners

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[38] MISO Transmission Owners Answer at 16-17.

[39] March 2014 Order at P 59.

[40] *Id.* at P 59.

[41] *See* Attachment A §§ II.B (providing for notice within ten days of posting of the Annual Update and specifying that Interested Parties can subscribe to the exploder list on the MISO website), II.E (providing that notice of the Annual Meeting will be posted on the MISO website and OASIS and distributed to the exploder no less than seven days prior to the meeting); Attachment B §§ II.B (providing for notice within ten days of posting of the Annual Update and specifying that Interested Parties can subscribe to the exploder list on the MISO website), II.C (stating that notice of a transmission owner's posting of its projected net revenue requirement will be provided on the MISO exploder within ten days of posting), II.G (formerly Section II.E, providing that MISO will provide notice of a transmission owner's annual meeting to discuss its Annual True-Up no less than seven days prior to such meeting), II.H (stating that notice of a transmission owner's annual meeting to discuss its projected net revenue requirement will be posted on the MISO website and OASIS and distributed to the MISO exploder no less than seven days prior to such meeting).

[42] March 2014 Order at P 59.

are implementing their formula rates for cost recovery of such projects.[43] The MISO Transmission Owners chose a deadline of November 1 of each year for the joint meeting because this date falls after each transmission owner with a forward-looking formula rate posts its projected net revenue requirement, but is sufficiently before the end of the Information Exchange Period (December 1).[44] In this manner, Interested Parties will have had an opportunity to review each transmission owner's Annual Update, Annual True-Up, and projected net revenue requirement in advance of the joint meeting. To the extent that an Interested Party still has questions following the meeting, the Interested Party has at least one month to submit such questions. The revised protocols also provide that, like each transmission owner's individual meeting, notice of the joint meeting will be provided on the MISO website and OASIS and distributed to the email exploder list no less than seven days prior to the joint meeting.[45]

In the March 2014 Order, the Commission accepted the MISO Transmission Owners' commitment to change the deadline for holding a meeting on the Annual Update or Annual True-Up from October 1 (as proposed in the September 2013 Filing) to September 1.[46] The MISO Transmission Owners have made this change in the revised protocols.[47] Transmission owners with forward-looking formula rates have added a new Section II.H to their company-specific protocols to address the scheduling of an "Annual Projected Rate Meeting" and have revised Section II.G (formerly Section II.E) to clarify

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[43] *See* Attachment A § II.F; Attachment B § II.I.

[44] *See supra* Section II.A.

[45] *See* Attachment A § II.F; Attachment B § II.I.

[46] March 2014 Order at P 60.

[47] *See* Attachment A § II.E; Attachment B § II.G. Several transmission owners with forward-looking formula rates had originally intended to hold one annual meeting to address both the Annual True-Up and projected net revenue requirement; however, as discussed *supra* note 26, most transmission owners cannot post their projected net revenue requirement and host a meeting to discuss it by September 1 because budget data for the following rate year is not yet available at that time. Accordingly, transmission owners that were planning to have one meeting to address both their Annual True-Up and projected net revenue requirement have revised their protocols to remove references to the "projected net revenue requirement" from Section II.G, which addresses the Annual True-Up Meeting. *See, e.g.*, Revised Tariff at Attachment O – AIC § II.G (redlined version); *id.* at Attachment O – ATXI § II.G (redlined version); *id.* at Attachment O – International § II.G (redlined version); *id.* at Attachment O – MDU § II.G (redlined version).

that the meeting held by September 1 will address the Annual True-Up and True-Up Adjustment.[48]

The Commission held that "any delay in the publication date should result in an equivalent extension of time for submission of information requests," and "direct[ed] the MISO Transmission Owners to revise the Tariff to include such a provision."[49] Accordingly, the MISO Transmission Owners have revised the protocols to provide that any delay in the Publication Date will result in an equal extension of time for the submission of information requests.[50] The Commission further "require[d] the MISO Transmission Owners to revise the protocols to provide that if a certain deadline for interested parties falls on a weekend or holiday recognized by the Commission, then the deadline will be extended to the next business day."[51] The MISO Transmission Owners have revised the protocols to provide that the deadline for submitting an information request or Informal Challenge will roll to the next business day if the deadline falls on a weekend or Commission holiday.[52]

The Commission directed the MISO Transmission Owners to remove the requirement that Interested Parties make a "good faith effort" to consolidate information

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48 *See* Attachment B §§ II.G (adding references to the "Annual True-Up Meeting" and "True-Up Adjustment"), II.H (adopting language substantively similar to the language in Section II.G (formerly Section II.E) but applicable to projected net revenue requirements).

49 March 2014 Order at P 61.

50 *See* Attachment A § II.C; Attachment B § II.D. While the Commission refers to the "publication date," under the revised protocols, the term "Publication Date" refers to the posting of the Annual Update (for companies using historical data) or Annual True-Up (for companies using forward-looking rates). The MISO Transmission Owners interpret the Commission to mean either the posting of the Annual True-Up or projected net revenue requirement, and thus have revised Section II.D to state that any delay in the Publication Date or the posting of the projected net revenue requirement will result in an equivalent extension for the submission of information requests. *See* Attachment B § II.D.

51 March 2014 Order at P 61.

52 *See* Attachment A §§ III.A (information requests), IV.A (Informal Challenges); Attachment B §§ III.A (information requests), IV.A (Informal Challenges). The MISO Transmission Owners did not include a similar provision for Formal Challenges, because Formal Challenges must be filed with the Commission, *see* Attachment A § IV.G and Attachment B § IV.G, and the Commission's regulations provide for a similar extension when a filing deadline falls on a weekend or holiday recognized by the Commission. 18 C.F.R. § 385.2007(a)(2).

requests to the extent practicable, finding that such a requirement could be overly burdensome to Interested Parties.[53] The MISO Transmission Owners have deleted this language from the protocols.[54] Likewise, the MISO Transmission Owners have revised the protocols to "remove the phrase 'that required submission of a filing under section 203 or 205 of the Federal Power Act'"[55] from language governing the disclosure of mergers and reorganizations.[56]

With respect to accounting changes, the Commission found that the May 2013 Order required disclosure of changes in accounting during the rate period that affect inputs to the formula rate or resulting charges and ordered "that the word 'material' be removed from all instances of the phrase 'material accounting changes.'"[57] The MISO Transmission Owners have revised all references to "Material Accounting Change" to remove the word "Material."[58] The Commission also found "that the additional limiting factors for accounting changes proposed by the MISO Transmission Owners in section [II.D.8] are unnecessary and unsupported," and directed removal of provisions limiting the disclosure of accounting changes to: (1) changes not previously reported in the Applicable Form; (2) implementation of an accounting standard or policy that is required to be disclosed under the Applicable Form; and (3) corrections of errors and prior period adjustments that alter what is reported in the Applicable Form and require resubmittal of the Applicable Form.[59] The MISO Transmission Owners have removed the referenced limitations.[60]

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53 March 2014 Order at P 63.

54 *See* Attachment A § III.A; Attachment B § III.A.

55 March 2014 Order at P 64.

56 *See* Attachment A § II.D.8.c; Attachment B § II.E.8.c. *See also* Attachment B § II.F.4.c (excluding rejected language from provisions applicable to projected net revenue requirement).

57 March 2014 Order at P 65.

58 *See* Attachment A §§ II.D.8, II.D.8.a, III.A(1), IV.D; Attachment B §§ II.E.8, II.E.8.a, III.A(1), IV.D.

59 March 2014 Order at P 66.

60 *See* Attachment A §§ II.D.8.a, II.D.8.a.i, II.D.8.a.iii; Attachment B §§ II.E.8.a, II.E.8.a.i, II.E.8.a.iii. The MISO Transmission Owners also have excluded such limitations from the list of required accounting change disclosures applicable to the projected net revenue requirement. *See* Attachment B § II.F.4.

While finding that "it is reasonable for the protocols to provide some limitations on the types of information that can be requested in" the information exchange process, the Commission directed the MISO Transmission Owners to revise the list of appropriate topics for information requests to include "any other information that may reasonably have substantive effect on the calculation of the charge pursuant to the formula."[61] The MISO Transmission Owners have added this item to the list of appropriate topics for information requests.[62]

The Commission "direct[ed] the MISO Transmission Owners to revise the protocols to include a provision precluding a transmission owner from claiming that responses to information and document requests pursuant to the protocols are subject to any settlement provision."[63] The MISO Transmission Owners have included such a provision in the revised protocols.[64]

The Commission clarified its expectation that all MISO Transmission Owners submit their "informational filings" in separate dockets.[65] The MISO Transmission Owners plan to comply with this requirement when filing their informational filings. The Commission further "direct[ed] MISO to provide notification of the filing through the email 'exploder' list to be maintained by MISO, and by posting the docket number assigned to each transmission owner's Informational Filing on the MISO website and OASIS within five days of such filing."[66] The Filing Parties have revised the protocols to specify that MISO will provide such notice.[67]

The revisions summarized above fully comply with the March 2014 Order and the Commission should accept them as sufficient to ensure just and reasonable rates without further modification or compliance.

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61 March 2014 Order at P 67.

62 *See* Attachment A § III.A; Attachment B § III.A.

63 March 2014 Order at P 68.

64 *See* Attachment A § III.D; Attachment B § III.D. As discussed previously, *supra* notes 32-33 and accompanying text, the previous Section III.D was deleted from the protocols of the companies with forward-looking rates.

65 March 2014 Order at P 71 (citing *Midcontinent Indep. Sys. Operator, Inc.*, 146 FERC ¶ 61,209).

66 *Id.*

67 *See* Attachment A § VI.A; Attachment B § VI.A.

C. Challenge Procedures

In the March 2014 Order, the Commission conditionally accepted the proposed challenge procedures, finding that the MISO Transmission Owners' proposed Informal Challenge and Formal Challenge processes largely complied with the May 2013 Order.[68] However, the Commission determined that the proposed deadline for Interested Parties to submit Informal Challenges "raises significant concerns because it precedes the date by which transmission owners are required to respond to information requests," and thus conditioned its "acceptance of the proposed protocols on additional revisions that enable interested parties to present an informal challenge after an opportunity to evaluate all responses to information requests."[69] As discussed above,[70] the MISO Transmission Owners propose in this filing significant revisions to the timeline for the information exchange and challenge process in order to establish a single process for information exchange and challenges on both the Annual True-Ups and projected net revenue requirements. Among the changes to the proposed timeline is a modification to the deadline for submission of Informal Challenges to January 31 following the Publication Date,[71] which is more than two weeks after the deadline for the transmission owner to respond to all information requests (which has been moved to January 10 to accommodate a longer Information Exchange Period).[72] These changes address the Commission's concern regarding the need for adequate time for Interested Parties to consider all available information in their decision of whether to submit an Informal Challenge.[73]

Despite finding that the MISO Transmission Owners' proposed "six-factor limitation governing the range of issues that interested parties may raise through the challenge process" is "generally consistent with the Commission's directives" in the May 2013 Order,[74] the Commission directed the MISO Transmission Owners to modify Section IV.D to provide limited flexibility to Interested Parties to submit Informal or

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68 March 2014 Order at P 103.

69 *Id.* at P 104.

70 *Supra* Section II.A.

71 *See* Attachment A § IV.A; Attachment B § VI.A. As discussed above, the MISO Transmission Owners have modified the timelines to provide set dates, rather than a set number of days, for the Information Exchange Period and Review Period, to avoid any ambiguity. *Supra* Section II.A.

72 *See* Attachment A § III.B; Attachment B § III.B.

73 March 2014 Order at P 104.

74 *Id.* at P 106.

Formal Challenges regarding issues that, while not specifically mentioned in the enumerated list in Section IV.D, "may reasonably have substantive effect on the calculation of the charge pursuant to the formula."[75] The MISO Transmission Owners have adopted the revisions as directed.[76]

While it rejected the MISO Transmission Owners' proposal that an Interested Party must submit an Informal Challenge on an issue as a prerequisite to filing a Formal Challenge on that issue, the Commission determined that the MISO Transmission Owners could require that an Interested Party participate in the Informal Challenge process as a prerequisite to filing a Formal Challenge.[77] The MISO Transmission Owners have revised the protocols to state that a party may not pursue a Formal Challenge if it did not submit an Informal Challenge during the applicable Review Period.[78] The proposed revisions eliminate the prohibition on a party filing a Formal Challenge on an issue on which it did not previously raise an Informal Challenge, while retaining the incentive for Interested Parties to participate actively in the process by requiring them to submit an Informal Challenge during the Review Period to be eligible to pursue a Formal Challenge for the applicable rate update.[79]

The Commission found "that the finality provision in the MISO Transmission Owners' proposed protocols, section IV.I, contravenes Commission precedent and the filed-rate doctrine" and "direct[ed] the MISO Transmission Owners to revise the proposed protocols to ensure that the Commission and interested entities are not precluded from exercising their statutory rights."[80] To comply with this directive, the

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[75] *Id.* at P 107. The Commission also directed the MISO Transmission Owners to add the words "that may be necessary to determine" to the beginning of the enumerated list. *Id.*

[76] *See* Attachment A § IV.D; Attachment B § IV.D.

[77] March 2014 Order at PP 108-09 ("Though we view a prerequisite that interested parties must submit an informal challenge before filing a formal challenge as reasonable from a procedural perspective, interested parties must be able to raise newly discovered issues in a formal challenge, provided they have raised an informal challenge with respect to the applicable update or true-up. . . . [W]e retain the requirement that an interested party submit an informal challenge in order to be able to raise *any* issue in a formal challenge, as this will encourage interested parties to actively engage throughout the process.").

[78] *See* Attachment A § IV.G; Attachment B § IV.G.

[79] *See* Attachment A § IV.C; Attachment B § IV.C.

[80] March 2014 Order at P 110.

MISO Transmission Owners have deleted the offending section from the revised protocols.[81]

While the Commission determined that it was appropriate for the formula rate protocols to contain provisions addressing the process and requirements for filing Formal Challenges, the Commission held that a reference to Rule 206 of the Commission's Rules of Practice and Procedure may not be appropriate for Formal Challenges.[82] Accordingly, the Commission directed the MISO Transmission Owners "to propose Tariff revisions that (1) make clear that formal challenges are filed pursuant to the proposed protocols, rather than Rule 206, and (2) detail specifically the filing requirements that an interested party must satisfy in submitting a formal challenge to the Commission."[83] In response to these directives, the MISO Transmission Owners have revised Section IV of the formula rate protocols to establish a procedure and requirements for filing Formal Challenges. First, the MISO Transmission Owners have deleted the requirement that Formal Challenges "shall be filed under and satisfy all requirements established by 18.C.F.R. § 305.206."[84] Second, the MISO Transmission Owners have also adopted a new Section IV.C, which specifies that Informal Challenges are "subject to the resolution procedures and limitations in this Section IV"[85] and establishes requirements for filing Formal Challenges. The new Formal Challenge requirements are based on relevant provisions of Rule 206 (while excluding inapplicable Rule 206 provisions), and specify items that must be included in a Formal Challenge as well as the procedures for serving a Formal Challenge on the transmission owner. The Formal Challenge requirements set forth in Section IV.C.1 are items necessary for the Commission and the transmission owner to understand the nature of the Formal Challenge and the alleged action or omission that gave rise to the Formal Challenge. Interested Parties filing Formal Challenges will be required to identify the alleged violation and explain how it violates the filed rate, how it impacts the Interested Party, and the specific relief requested, and will be required to include any relevant documents or other information necessary to support their Formal Challenge.[86] The revised Formal Challenge procedures also specify the requirements for

81 *See* Attachment A § IV.I (deleted); Attachment B § IV.I (deleted).

82 March 2014 Order at PP 111-12.

83 *Id.* at P 112.

84 Attachment A § IV.B (deleted); Attachment B § IV.B (deleted).

85 Attachment A § IV.C; Attachment B § IV.C. This language was included in Section IV.B of the protocols submitted with the September 2013 Filing.

86 The MISO Transmission Owners also have included in subsection IV.C.1.c the list of issues on which an Interested Party may pursue an Informal or Formal Challenge (from Section IV.D of the revised protocols). *See* Attachment A § IV.C.1.c; Attachment B § IV.C.1.c. This addition is appropriate because it is consistent with Section IV.D, which (as revised to comply with the March 2014

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serving the Formal Challenge on the transmission owner.[87] The revised Formal Challenge procedures are compliant with the March 2014 Order and are just and reasonable as they make clear that Formal Challenges are filed pursuant to the proposed protocols, rather than Rule 206, and detail specifically the filing requirements that an Interested Party must satisfy in submitting a Formal Challenge to the Commission. None of the requirements is overly burdensome and, if followed, will provide the transmission owner and Commission with sufficient and relevant information to understand the Formal Challenge. Accordingly, the Commission should accept the Formal Challenge filing procedures without modification.

In addition, the Commission directed the MISO Transmission Owners to revise the protocols to clarify that Formal Challenges should be filed in the same docket as the transmission owner's informational filing.[88] The Commission noted that this change requires additional revisions to the deadlines for filing the Informational Filing and Formal Challenges, to afford Interested Parties "a reasonable period of time after the filing of the informational filing before formal challenges are due."[89] The MISO Transmission Owners have added a requirement that Formal Challenges be filed in the same docket as the transmission owner's Informational Filing,[90] and, as discussed above, have revised the timeline for the information exchange, challenge, and Informational Filing process. As relevant to the Commission's directive, the MISO Transmission Owners have revised the date for filing the annual Informational Filing to March 15[91] and have extended the deadline to submit Formal Challenges to March 31 following the Review Period.

Finally, the Commission observed that the MISO Transmission Owners' proposal that information exchange and challenge procedures be subject to the confidentiality provisions set forth in the Tariff may not be appropriate because the Tariff's

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(. . . continued)
Order) includes the language "Informal and Formal Challenges shall be limited to all issues that may be necessary to determine."

87 *See* Attachment A § IV.C.2; Attachment B § IV.C.2. The MISO Transmission Owners also have removed from Section IV.G language specifying that Formal Challenges shall be served "by electronic service" because this language has been superseded by the specific service procedures adopted in Section IV.C.2. *See* Attachment A § IV.G; Attachment B § IV.G.

88 March 2014 Order at P 113.

89 *Id.*

90 *See* Attachment A § IV.G; Attachment B § IV.G

91 *See* Attachment A § VI.A; Attachment B § VI.A.

confidentiality provisions cover the sharing of information by MISO with other entities.[92] The Commission thus directed the MISO Transmission Owners "to explain how the protocols' challenge procedures will ensure that customers have access to information that will allow them to effectively challenge the implementation of the formula rate or revise the protocols to ensure that they do."[93] In response, the MISO Transmission Owners have revised the relevant confidentiality provisions in the protocols to remove the reference to "applicable confidentiality provisions under the Tariff" and replace it with a statement that all responses to information requests and Informal Challenges will be posted on the MISO website and OASIS, except when the transmission owner deems such information to be confidential.[94] In such cases, the transmission owner will execute a confidentiality agreement with the requesting party. These revised confidentiality procedures "ensure that customers have access to information that will allow them to effectively challenge the implementation of the formula rate"[95] by enabling Interested Parties that execute a confidentiality agreement to gain access to relevant information, while ensuring that transmission owners are not forced to divulge confidential or competitively sensitive business information publicly. These provisions strike a reasonable balance between access to and use of such information by Interested Parties and the legitimate confidentiality concerns of the MISO Transmission Owners, and should be accepted as just and reasonable.

III. MATERIAL INCLUDED WITH FILING

In addition to the transmittal letter, the following material is included in this filing:

1. Attachment A (illustrative exhibit of the generally applicable historical protocols);

2. Attachment B (illustrative exhibit of the forward-looking protocols);

3. Revised Tariff in clean format; and

4. Revised Tariff in redlined format.

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92 March 2014 Order at P 114.

93 *Id.*

94 *See* Attachment A §§ III.C & IV.E; Attachment B §§ III.C, IV.E.

95 March 2014 Order at P 114.

IV. EFFECTIVE DATE

Consistent with the effective date adopted in the March 2014 Order, the Filing Parties request that the Commission accept the Tariff revisions proposed in this filing effective January 1, 2014.

V. SERVICE

The Filing Parties have served a copy of this filing electronically, including attachments, upon all parties listed on the Commission's service list for Docket No. ER13-2379-000, as well as Tariff Customers, MISO members, member representatives of transmission owners and non-transmission owners, the MISO Advisory Committee participants, as well as state commissions within the Region. In addition, the filing has been posted electronically on MISO's website at https://www.misoenergy.org/Library/FERCFilingsOrders/Pages/FERCFilings.aspx.

VI. CONCLUSION

For the reasons stated above, the Filing Parties request that the Commission accept these revised Attachment O protocols as fully compliant with the May 2013 Order and March 2014 Order without modification or condition, effective as discussed above.

Respectfully submitted,

/s/ *Matthew J. Binette*

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CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Washington, D.C., this 19th day of May, 2014.

/s/ *Matthew J. Binette*

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Attachment A

ATTACHMENT A

ILLUSTRATIVE FORMULA RATE PROTOCOLS FOR TRANSMISSION OWNERS USING A HISTORICAL ATTACHMENT O RATE FORMULA TEMPLATE

Section I. Applicability

The following Annual Update, Information Exchange, and Challenge Procedures shall apply to all Transmission Owners that do not use a company-specific Attachment O Rate Formula Template.

Section II. Annual Updates

A. Beginning June 1, 2014, the Annual Transmission Revenue Requirement applicable under this Attachment O and the Network Integration Transmission Service and Point-to-Point Transmission Service charges derived therefrom shall be applicable to services on and after June 1 of a given year through May 31 of the subsequent year (the "Rate Year").

B. On or before June 1, 2014, and on or before June 1 of each succeeding Rate Year, each Transmission Owner shall recalculate its Annual Transmission Revenue Requirement, producing the Annual Update for the upcoming Rate Year, and shall provide such information to MISO and cause such information to be posted on the MISO website and OASIS. Within ten (10) days of such posting, MISO shall provide notice of such posting via an email exploder list. Interested Parties can subscribe to the MISO exploder list on the MISO website.

C. If the date for posting the Annual Update falls on a weekend or a holiday recognized by FERC, then the posting shall be due on the next business day. The date on which such posting occurs shall be that year's "Publication Date." Any delay in the Publication Date will result in an equivalent extension of time for the submission of Information Requests discussed in Section III of these protocols.

D. The Annual Update for the Rate Year shall:

1. Include a workable data-populated Formula Rate Template and underlying workpapers in native format with all formulas and links intact;

2. Be based on the Transmission Owner's FERC Form No. 1, Energy Information Agency ("EIA") Form No. 412,[1] or Rural Utilities Service ("RUS") Form No. 12 ("Applicable Form");

[1] While the EIA no longer requires the submission of Form No. 412, Transmission Owners utilizing EIA Form No. 412 will make data from the EIA Form No. 412 that are used in calculating the rate publicly available.

3. Provide the formula rate calculations and all inputs thereto, as well as supporting documentation and workpapers for data that are used in the formula rate that are not otherwise available in the Applicable Form;[2]

4. Provide sufficient information to enable Interested Parties (as that term is defined in Section II.E of these protocols) to replicate the calculation of the formula results from the Applicable Form;

5. Identify any changes in the formula references (page and line numbers) to the Applicable Form;

6. Identify all material adjustments made to the Applicable Form data in determining formula inputs, including relevant footnotes to the Applicable Form and any adjustments not shown in an Applicable Form;

7. Provide underlying data for formula rate inputs that provide greater granularity than is required for the Applicable Form;

8. With respect to any ~~material~~ change in accounting that affects inputs to the formula rate or the resulting charges billed under the formula rate ("~~Material~~ Accounting Change"):

    a. Identify any ~~Material~~ Accounting Changes ~~not previously reported in the Applicable Form~~, including

        i. The initial implementation of an accounting standard or policy~~, consistent with what is required to be disclosed under the Applicable Form~~;

        ii. the initial implementation of accounting practices for unusual or unconventional items where FERC has not provided specific accounting direction;

        iii. correction of errors and prior period adjustments that impact the revenue requirement~~, limited to adjustments that alter what is~~

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2 It is the intent of the formula rate, including the supporting explanations and allocations described therein, that each input to the formula rate will be either taken directly from the Applicable Form or reconcilable to the Applicable Form by the application of clearly identified and supported information. If the referenced form is superseded, the successor form(s) shall be utilized and supplemented as necessary to provide equivalent information as that provided in the superseded form. If the referenced form(s) is (are) discontinued, equivalent information as that provided in the discontinued form(s) shall be utilized.

~~reported in the Applicable Form and require resubmittal of the Applicable Form~~;

iv. the implementation of new estimation methods or policies that change prior estimates; and

v. changes to income tax elections;

b. Identify items included in the formula rate at an amount other than on a historic cost basis (e.g., fair value adjustments);

c. Identify any reorganization or merger transaction during the previous year ~~that required submission of a filing under section 203 or 205 of the Federal Power Act~~ and explain the effect of the accounting for such transaction(s) on inputs to the formula rate;

d. Provide, for each item identified pursuant to items II.D.8.a - II.D.8.c of these protocols, a narrative explanation of the individual impact of such changes on charges billed under the formula rate.

E. The Transmission Owner shall hold an open meeting among Interested Parties ("Annual Meeting") between the Publication Date and ~~October~~ September 1. No less than seven (7) days prior to such Annual Meeting, ~~T~~the Transmission Owner shall provide notice on MISO's internet website and OASIS of the time, date, and location of the Annual Meeting and MISO shall provide notice of such meeting to an email exploder list. For purposes of these procedures, the term Interested Party includes, but is not limited to, customers under the Tariff, state utility regulatory commissions, OMS, consumer advocacy agencies, and state attorneys general. The Annual Meeting shall (i) permit the Transmission Owner to explain and clarify its Annual Update and (ii) provide Interested Parties an opportunity to seek information and clarifications from the Transmission Owner about the Annual Update.

F. Transmission Owners with transmission projects that utilize a regional cost sharing mechanism shall hold a joint informational meeting to enable all interested parties to understand how those Transmission Owners are implementing their formula rates for cost recovery of such projects. Such meeting shall occur by November 1 of each year (or the next business day if November 1 falls on a weekend or holiday recognized by FERC). Notice of joint informational meetings, including the time, date, and location, shall be posted on the MISO website and OASIS and distributed to the email exploder list no less than seven (7) days prior to such meetings.

ATTACHMENT A

Section III. Information Exchange Procedures

Each Annual Update shall be subject to the following information exchange procedures ("Information Exchange Procedures"):

A. Interested Parties shall have ~~up~~ until December 1 following the ~~to one hundred twenty (120) days after each annual~~ Publication Date (unless such period is extended with the written consent of the Transmission Owner or by FERC order) to serve reasonable information and document requests on the Transmission Owner ("Information Exchange Period")~~; provided, however, that the parties making such requests shall make a good faith effort to submit consolidated sets of information and document requests that limit the number and overlap of questions to the maximum extent practicable~~. If December 1 falls on a weekend or a holiday recognized by FERC, the deadline for submitting all information and document requests shall be extended to the next business day. Such information and document requests shall be limited to what is necessary to determine:

(1) the extent or effect of an ~~Material~~ Accounting Change;

(2) whether the Annual Update fails to include data properly recorded in accordance with these protocols;

(3) the proper application of the formula rate and procedures in these protocols;

(4) the accuracy of data and consistency with the formula rate of the charges shown in the Annual Update;

(5) the prudence of actual costs and expenditures; ~~and~~

(6) the effect of any change to the underlying Uniform System of Accounts or the Applicable Form; or

(7) any other information that may reasonably have substantive effect on the calculation of the charge pursuant to the formula.

The information and document requests shall not otherwise be directed to ascertaining whether the formula rate is just and reasonable. ~~All information and document requests must be submitted by no later than October 1, unless the Information Exchange Period is extended by the Transmission Owner or FERC.~~

B. The Transmission Owner shall make a good faith effort to respond to information and document requests pertaining to the Annual Update within fifteen (15) business days of receipt of such requests. The Transmission Owner shall respond to all information and document requests by no later than ~~December 1~~ January 10 following the Publication Date, unless the Information Exchange Period is extended by the Transmission Owner or FERC.

C. The Transmission Owner will cause to be posted on the MISO website and OASIS all information requests from Interested Parties and the Transmission Owner's response(s) to such requests; except, however, if responses to information and document requests include material deemed by the Transmission Owner to be confidential information, such information will not be publicly posted but will be made available to requesting parties pursuant to a confidentiality agreement to be executed by the Transmission Owner and the requesting party. ~~Such posting will be subject to all applicable confidentiality protections under the Tariff.~~

D. The Transmission Owner shall not claim that responses to information and document requests provided pursuant to these protocols are subject to any settlement privilege in any subsequent FERC proceeding addressing the Transmission Owner's Annual Update.

Section IV. Challenge Procedures

A. Interested Parties shall have ~~up to one hundred fifty (150) days after~~ until January 31 following the Publication Date (unless such period is extended with the written consent of the Transmission Owner or by FERC order) to review the inputs, supporting explanations, allocations, and calculations ~~("Review Period")~~ and to notify the Transmission Owner in writing, which may be made electronically, of any specific Informal Challenges. The period of time from the Publication Date until January 31 shall be referred to as the Review Period. If January 31 falls on a weekend or a holiday recognized by FERC, the deadline for submitting all Informal Challenges shall be extended to the next business day. Failure to pursue an issue through an Informal Challenge or to lodge a Formal Challenge regarding any issue as to a given Annual Update shall bar pursuit of such issue with respect to that Annual Update, but shall not bar pursuit of such issue or the lodging of a Formal Challenge as to such issue as it relates to a subsequent Annual Update.

B. ~~Informal Challenges shall be subject to the resolution procedures and limitations in this Section IV. Formal Challenges shall be filed pursuant to these protocols and shall be filed under and satisfy all requirements established by 18 C.F.R. § 385.206.~~

~~C.~~ A party submitting an Informal Challenge to a Transmission Owner must specify the inputs, supporting explanations, allocations, calculations, or other information to which it objects, and provide an appropriate explanation and documents to support its challenge. The Transmission Owner shall make a good faith effort to respond to any Informal Challenge within twenty (20) business days of notification of such challenge. The Transmission Owner, and where applicable, the Transmission Provider, shall appoint a senior representative to work with the party that submitted the Informal Challenge (or its representative) toward a resolution of the challenge. If the Transmission Owner disagrees with such challenge, the Transmission Owner will provide the Interested Party(ies) with an explanation supporting the inputs, supporting explanations, allocations, calculations, or other information. No Informal Challenge may be submitted after ~~November~~ January 31, and the Transmission Owner must respond to all Informal Challenges by no later than ~~December 1~~February 28, unless the Review Period is extended by the Transmission Owner or FERC.

C. Informal Challenges shall be subject to the resolution procedures and limitations in this Section IV. Formal Challenges shall be filed pursuant to these protocols and shall satisfy all of the following requirements.

(1) A Formal Challenge shall:

(a) Clearly identify the action or inaction which is alleged to violate the filed rate formula or protocols;

(b) Explain how the action or inaction violates the filed rate formula or protocols;

(c) Set forth the business, commercial, economic or other issues presented by the action or inaction as such relate to or affect the party filing the Formal Challenge, including:

(i) The extent or effect of an Accounting Change;

(ii) Whether the Annual Update fails to include data properly recorded in accordance with these protocols;

(iii) The proper application of the formula rate and procedures in these protocols;

(iv) The accuracy of data and consistency with the formula rate of the charges shown in the Annual Update;

(v) The prudence of actual costs and expenditures;

(vi) The effect of any change to the underlying Uniform System of Accounts or the Applicable Form; or

(vii) Any other information that may reasonably have substantive effect on the calculation of the charge pursuant to the formula.

(d) Make a good faith effort to quantify the financial impact or burden (if any) created for the party filing the Formal Challenge as a result of the action or inaction;

(e) State whether the issues presented are pending in an existing Commission proceeding or a proceeding in any other forum in which the filing party is a party, and if so, provide an explanation why timely resolution cannot be achieved in that forum;

(f) State the specific relief or remedy requested, including any request for stay or extension of time, and the basis for that relief;

(g) Include all documents that support the facts in the Formal Challenge in possession of, or otherwise attainable by, the filing party, including, but not limited to, contracts and affidavits; and

(h) State whether the filing party utilized the Informal Challenge procedures described in these protocols to dispute the action or inaction raised by the Formal Challenge, and, if not, describe why not.

(2) Service. Any person filing a Formal Challenge must serve a copy of the Formal Challenge on the Transmission Owner. Service to the Transmission Owner must be simultaneous with filing at the Commission. Simultaneous service can be accomplished by electronic mail in accordance with § 385.2010(f)(3), facsimile, express delivery, or messenger. The party filing the Formal Challenge shall serve the individual listed as the contact person on the Transmission Owner's Informational Filing required under Section VI of these protocols.

D. Informal and Formal Challenges shall be limited to all issues that may be necessary to determine: (1) the extent or effect of an ~~Material~~ Accounting Change; (2) whether the Annual Update fails to include data properly recorded in accordance with these protocols; (3) the proper application of the formula rate and procedures in these protocols; (4) the accuracy of data and consistency with the formula rate of the charges shown in the Annual Update; (5) the prudence of actual costs and expenditures; ~~and~~ (6) the effect of any change to the underlying Uniform System of Accounts or the Applicable Form; or (7) any other information that may reasonably have substantive effect on the calculation of the charge pursuant to the formula.

E. The Transmission Owner will cause to be posted all Informal Challenges from Interested Parties and the Transmission Owner's response(s) to such Informal Challenges; except, however, if Informal Challenges or responses to Informal Challenges include material deemed by the Transmission Owner to be confidential information, such information will not be publicly posted but will be made available to requesting parties pursuant to a confidentiality agreement to be executed by the Transmission Owner and the requesting party. ~~Such posting will be subject to all applicable confidentiality protections under the Tariff.~~

F. Any changes or adjustments to the Annual Update resulting from the Information Exchange and Informal Challenge processes that are agreed to by the Transmission Owner will be reported in the Informational Filing required pursuant to Section VI of these protocols and will be reflected in the Annual Update for the following Rate Year, as discussed in Section V of these protocols.

G. ~~If the Transmission Owner and any Interested Party(ies) have not resolved any Informal Challenge within thirty (30) days after the Review Period, a~~An Interested Party shall have ~~an additional thirty (30)~~ until March 31 following the Review Period ~~days~~ (unless such ~~period~~ date is extended with the written consent of the Transmission Owner to continue efforts to resolve the Informal Challenge) to make a Formal Challenge with FERC, which shall be served on the Transmission Owner ~~by electronic service~~ on the date of such filing as specified in Section IV.C(2) above. A Formal Challenge shall be filed in the same docket as the Transmission Owner's Informational Filing discussed in Section VI of these protocols. The Transmission Owner shall respond to the Formal Challenge by the deadline established by FERC. A party may not pursue a ~~'s~~ Formal Challenge ~~may not raise any issue that was not the subject of~~ if that party did not submit an ~~'s~~ Informal Challenge during the applicable Review Period.

H. In any proceeding initiated by FERC concerning the Annual Update or in response to a Formal Challenge, the Transmission Owner shall bear the burden, consistent with section

205 of the Federal Power Act, of proving that it has correctly applied the terms of the formula rate consistent with these protocols, and that it followed the applicable requirements and procedures in this Attachment O, in that year's Annual Update. Nothing herein is intended to alter the burdens applied by FERC with respect to prudence challenges.

~~I. Subject to judicial review of FERC orders, each Annual Update shall become final as to the Annual Transmission Revenue Requirement calculated for the Rate Year for which the Annual Update was calculated and no longer subject to challenge pursuant to these Annual Review protocols or by any other means by FERC or any other entity on the later to occur of (i) passage of the thirty (30) day period (or extended period, if applicable) for making a Formal Challenge if no such challenge has been made and FERC has not initiated a proceeding to consider the Annual Update, or (ii) a final FERC order issued in response to a Formal Challenge or a proceeding initiated by FERC to consider the Annual Update.~~

~~J~~I. Except as specifically provided herein, nothing herein shall be deemed to limit in any way the right of the Transmission Owner to file unilaterally, pursuant to Federal Power Act section 205 and the regulations thereunder, to change the formula rate or any of its inputs (including, but not limited to, rate of return and transmission incentive rate treatment), or to replace the formula rate with a stated rate, or the right of any other party to request such changes pursuant to section 206 of the Federal Power Act and the regulations thereunder.

~~K~~J. No party shall seek to modify the formula rate under the Challenge Procedures set forth in these protocols and the Annual Update shall not be subject to challenge by anyone for the purpose of modifying the formula rate. Any modifications to the formula rate will require, as applicable, a Federal Power Act section 205 or section 206 filing.

~~L~~K. Any Interested Party seeking changes to the application of the formula rate due to a change in the Uniform System of Accounts or the Applicable Form, shall first raise the matter with the Transmission Owner in accordance with this Section IV before pursuing a Formal Challenge.

Section V. Changes to Annual Updates

Any changes to the data inputs, including but not limited to revisions to the Transmission Owner's Applicable Form, or as the result of any FERC proceeding to consider the Annual Update, or as a result of the procedures set forth herein, shall be incorporated into the formula rate and the charges produced by the formula rate in the Annual Update for the next effective Rate Year. This reconciliation mechanism shall apply in lieu of mid-Rate Year adjustments. Interest on any refund shall be calculated in accordance with 18 C.F.R. § 35.19a ("FERC's Interest Rate"), and interest on any surcharge shall be calculated using the lower of FERC's Interest Rate or the Transmission Owner's short-term borrowing rate, if applicable.

ATTACHMENT A

Section VI. Informational Filings

A. By ~~January 3~~March 15 of each year, the Transmission Owner shall submit to FERC an informational filing ("Informational Filing") of its Annual Update. This Informational Filing must include the information that is reasonably necessary to determine: (1) that input data under the formula rate are properly recorded in any underlying workpapers; (2) that the Transmission Owner has properly applied the formula rate and these procedures; (3) the accuracy of data and the consistency with the formula rate of the Actual Transmission Revenue Requirement and rates under review; and (4) the extent of accounting changes that affect formula rate inputs. The Informational Filing must also describe any corrections or adjustments made during that period, and must describe all aspects of the formula rate or its inputs that are the subject of an ongoing dispute under the Informal or Formal Challenge procedures. Within five (5) days of such Informational Filing, MISO shall provide notice of the Informational Filing via an email exploder list and by posting the docket number assigned to each Transmission Owner's Informational Filing on the MISO website and OASIS.

B. Any challenges to the implementation of the Attachment O formula rate must be made through the Challenge Procedures described in Section IV of these protocols or in a separate complaint proceeding, and not in response to the Informational Filing.

Attachment B

ATTACHMENT B

ILLUSTRATIVE FORMULA RATE PROTOCOLS FOR TRANSMISSION OWNERS USING A FORWARD-LOOKING ATTACHMENT O RATE FORMULA TEMPLATE

Section I. Applicability

The following ~~Annual True-Up, Information Exchange, and Challenge P~~procedures shall apply to [Transmission Owner's] calculation of its actual net revenue requirement~~ and~~ , True-Up Adjustment, and projected net revenue requirement.

Section II. Annual True-Up and Projected Net Revenue Requirement

A. Beginning on or before June 1, 2014, and on or before each subsequent June 1, [Transmission Owner] shall determine its Annual True-Up under this Attachment O and Section ___ of these protocols, to derive a True-Up Adjustment to be included in [Transmission Owner's] projected net revenue requirement for the subsequent calendar year (the "Rate Year").

B. On or before June 1, 2014, and on or before each subsequent June 1, [Transmission Owner] shall provide its Annual True-Up, actual net revenue requirement, and True-Up Adjustment to MISO and cause such information to be posted on the MISO website and OASIS. Within ten (10) days of such posting, MISO shall provide notice of such posting via an email exploder list. Interested Parties can subscribe to the MISO exploder list on the MISO website.

C. On or before [Transmission Owner's Posting Date for 2014] and on or before each subsequent [Transmission Owner's Date], [Transmission Owner] shall provide its projected net revenue requirement to MISO and cause such information to be posted on the MISO website and OASIS. Within ten (10) days of posting of the projected net revenue requirement, MISO shall provide notice of such posting to an email exploder list.

~~C~~D. If the date for posting the Annual True-Up or the projected net revenue requirement falls on a weekend or a holiday recognized by FERC, then the posting shall be due on the next business day. The date on which ~~such~~ posting of the Annual True-Up occurs shall be that year's "Publication Date." Any delay in the Publication Date or in the posting of the projected net revenue requirement will result in an equivalent extension of time for the submission of Information Requests discussed in Section III of these protocols.

~~D~~E. The Annual True-Up shall:

1. Include a workable data-populated Formula Rate Template and underlying workpapers in native format with all formulas and links intact;

ATTACHMENT B

2. Be based on [Transmission Owner's] [Applicable Form[1]] for the prior calendar year;

3. Provide the formula rate calculations and all inputs thereto, as well as supporting documentation and workpapers for data that are used in the Annual True-Up that are not otherwise available in the [Applicable Form];[2]

4. Provide sufficient information to enable Interested Parties (as that term is defined in Section II.~~E~~G of these protocols) to replicate the calculation of the Annual True-Up results from the [Applicable Form];

5. Identify any changes in the formula references (page and line numbers) to the [Applicable Form];

6. Identify all material adjustments made to the [Applicable Form] data in determining formula inputs, including relevant footnotes to the [Applicable Form] and any adjustments not shown in the [Applicable Form];

7. Provide underlying data for formula rate inputs that provide greater granularity than is required for the [Applicable Form];

8. With respect to any ~~material~~ change in accounting that affects inputs to the formula rate or the resulting charges billed under the formula rate ("~~Material~~ Accounting Change"):

   a. Identify any ~~Material~~ Accounting Changes ~~not previously reported in the [Applicable Form]~~, including

      i. The initial implementation of an accounting standard or policy~~, consistent with what is required to be disclosed under [Applicable Form]~~;

      ii. the initial implementation of accounting practices for unusual or unconventional items where FERC has not provided specific accounting direction;

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1 [While the EIA no longer requires the submission of EIA Form No. 412, [Transmission Owner] will make data from the EIA Form No. 412 that are used in calculating the rate publicly available.]

2 It is the intent of the formula rate, including the supporting explanations and allocations described therein, that each input to the formula rate will be either taken directly from the [Applicable Form] or reconcilable to the [Applicable Form] by the application of clearly identified and supported information. If the referenced form is superseded, the successor form(s) shall be utilized and supplemented as necessary to provide equivalent information as that provided in the superseded form. If the referenced form(s) is (are) discontinued, equivalent information as that provided in the discontinued form(s) shall be utilized.

iii. correction of errors and prior period adjustments that impact the True-Up Adjustment calculation~~, limited to adjustments that alter what is reported in the [Applicable Form] and require resubmittal of the [Applicable Form]~~;

iv. the implementation of new estimation methods or policies that change prior estimates; and

v. changes to income tax elections;

b. Identify items included in the Annual True-Up at an amount other than on a historic cost basis (e.g., fair value adjustments);

c. Identify any reorganization or merger transaction during the previous year ~~that required submission of a filing under section 203 or 205 of the Federal Power Act~~ and explain the effect of the accounting for such transaction(s) on inputs to the Annual True-Up;

d. Provide, for each item identified pursuant to items II.~~D~~E.8.a - II.~~D~~E.8.c of these protocols, a narrative explanation of the individual impact of such changes on the True-Up Adjustment.

~~E~~F. The projected net revenue requirement shall:

1. Include a workable data-populated Formula Rate Template and underlying workpapers in native format with all formulas and links intact;

2. Provide the formula rate calculations and all inputs thereto, as well as supporting documentation and workpapers for data that are used in the projected net revenue requirement;

3. Provide sufficient information to enable Interested Parties (as that term is defined in Section II.G of these protocols) to replicate the calculation of the projected net revenue requirement;

4. With respect to any change in accounting that affects inputs to the formula rate or the resulting charges billed under the formula rate ("Accounting Change"):

a. Identify any Accounting Changes, including

i. The initial implementation of an accounting standard or policy;

ATTACHMENT B

ii. the initial implementation of accounting practices for unusual or unconventional items where FERC has not provided specific accounting direction;

iii. correction of errors and prior period adjustments that impact the projected net revenue requirement calculation;

iv. the implementation of new estimation methods or policies that change prior estimates; and

v. changes to income tax elections;

b. Identify items included in the projected net revenue requirement at an amount other than on a historic cost basis (e.g., fair value adjustments);

c. Identify any reorganization or merger transaction during the previous year and explain the effect of the accounting for such transaction(s) on inputs to the projected net revenue requirement;

d. Provide, for each item identified pursuant to items II.F.4.a - II.F.4.c of these protocols, a narrative explanation of the individual impact of such changes on the projected net revenue requirement.

G. [Transmission Owner] shall hold an open meeting among Interested Parties ("Annual True-Up Meeting") between the Publication Date and ~~October~~ September 1. No less than seven (7) days prior to such Annual True-Up Meeting, [Transmission Owner] shall provide notice on MISO's internet website and OASIS of the time, date, and location of the Annual True-Up Meeting and MISO shall provide notice of such meeting to an email exploder list. For purposes of these procedures, the term Interested Party includes, but is not limited to, customers under the Tariff, state utility regulatory commissions, OMS, consumer advocacy agencies, and state attorneys general. The Annual True-Up Meeting shall (i) permit [Transmission Owner] to explain and clarify its Annual True-Up and True-Up Adjustment and (ii) provide Interested Parties an opportunity to seek information and clarifications from [Transmission Owner] about the Annual True-Up and True-Up Adjustment.

H. [Transmission Owner] shall hold an open meeting among Interested Parties ("Annual Projected Rate Meeting") between the date that the projected net revenue requirement is posted to the MISO website and OASIS (as described in Section II.C of these protocols) and [Transmission Owner's meeting date from its current protocols]. No less than seven (7) days prior to such Annual Projected Rate Meeting, [Transmission Owner] shall provide notice on MISO's internet website and OASIS of the time, date, and location of the Annual Projected Rate Meeting and MISO shall provide notice of such meeting to an email exploder list. The Annual Projected Rate Meeting shall (i) permit [Transmission Owner] to explain and clarify its projected net revenue requirement and (ii) provide Interested

Parties an opportunity to seek information and clarifications from [Transmission Owner] about the projected net revenue requirement.

~~F~~I. Transmission Owners with transmission projects that utilize a regional cost sharing mechanism shall hold a joint informational meeting to enable all interested parties to understand how those Transmission Owners are implementing their formula rates for cost recovery of such projects. Such meeting shall occur by November 1 of each year (or the next business day if November 1 falls on a weekend or holiday recognized by FERC). Notice of joint informational meetings, including the time, date, and location, shall be posted on the MISO website and OASIS and distributed to the email exploder list no less than seven (7) days prior to such meetings.

Section III. Information Exchange Procedures

Each Annual True-Up and projected net revenue requirement shall be subject to the following information exchange procedures (“Information Exchange Procedures”):

A. Interested Parties shall have ~~up~~ until December 1 following the ~~to one hundred twenty (120) days after each annual~~ Publication Date (unless such period is extended with the written consent of Transmission Owner or by FERC order) to serve reasonable information and document requests on [Transmission Owner] (“Information Exchange Period”)~~; provided, however, that the parties making such requests shall make a good faith effort to submit consolidated sets of information and document requests that limit the number and overlap of questions to the maximum extent practicable~~. If December 1 falls on a weekend or a holiday recognized by FERC, the deadline for submitting all information and document requests shall be extended to the next business day. Such information and document requests shall be limited to what is necessary to determine:

(1) the extent or effect of an ~~Material~~ Accounting Change;

(2) whether the Annual True-Up or projected net revenue requirement fails to include data properly recorded in accordance with these protocols;

(3) the proper application of the formula rate and procedures in these protocols;

(4) the accuracy of data and consistency with the formula rate of the calculations shown in the Annual True-Up or projected net revenue requirement;

(5) the prudence of actual costs and expenditures;~~ and~~

(6) the effect of any change to the underlying Uniform System of Accounts or [Applicable Form]; or

(7) any other information that may reasonably have substantive effect on the calculation of the charge pursuant to the formula.

The information and document requests shall not otherwise be directed to ascertaining whether the formula rate is just and reasonable.~~ All information and document requests~~

~~must be submitted by no later than October 1, unless the Information Exchange Period is extended by [Transmission Owner] or FERC.~~

B. [Transmission Owner] shall make a good faith effort to respond to information and document requests ~~pertaining to the Annual True-Up~~ within fifteen (15) business days of receipt of such requests. [Transmission Owner] shall respond to all information and document requests by no later than ~~December 1~~January 10 following the Publication Date, unless the Information Exchange Period is extended by [Transmission Owner] or FERC.

C. [Transmission Owner] will cause to be posted on the MISO website and OASIS all information requests from Interested Parties and [Transmission Owner's] response(s) to such requests; except, however, if responses to information and document requests include material deemed by [Transmission Owner] to be confidential information, such information will not be publicly posted but will be made available to requesting parties pursuant to a confidentiality agreement to be executed by [Transmission Owner] and the requesting party. ~~Such posting will be subject to all applicable confidentiality protections under the Tariff.~~

~~D. [Transmission Owner] will follow the procedures set forth in Section ___ of these protocols with respect to the information to be provided as part of its projected net revenue requirement.~~

D. [Transmission Owner] shall not claim that responses to information and document requests provided pursuant to these protocols are subject to any settlement privilege, in any subsequent FERC proceeding addressing [Transmission Owner's] Annual True-Up or projected net revenue requirement.

Section IV. Challenge Procedures

A. Interested Parties shall have ~~up to one hundred fifty (150) days after the~~ until January 31 following the Publication Date (unless such period is extended with the written consent of [Transmission Owner] or by FERC order) to review the inputs, supporting explanations, allocations and calculations ~~("Review Period")~~ and to notify [Transmission Owner] in writing, which may be made electronically, of any specific Informal Challenges to the Annual True-Up or projected net revenue requirement. The period of time from the Publication Date until January 31 shall be referred to as the Review Period. If January 31 falls on a weekend or a holiday recognized by FERC, the deadline for submitting all Informal Challenges shall be extended to the next business day. Failure to pursue an issue through an Informal Challenge or to lodge a Formal Challenge regarding any issue as to a given Annual True-Up or projected net revenue requirement shall bar pursuit of such issue with respect to that Annual True-Up or projected net revenue requirement, but shall not bar pursuit of such issue or the lodging of a Formal Challenge as to such issue as it relates to a subsequent Annual True-Up or projected net revenue requirement.

B. ~~Informal Challenges shall be subject to the resolution procedures and limitations in this Section IV. Formal Challenges shall be filed pursuant to these protocols and shall be filed under and satisfy all requirements established by 18 C.F.R. § 385.206.~~

~~C.~~ A party submitting an Informal Challenge to [Transmission Owner] must specify the inputs, supporting explanations, allocations, calculations, or other information to which it objects, and provide an appropriate explanation and documents to support its challenge. [Transmission Owner] shall make a good faith effort to respond to any Informal Challenge within twenty (20) business days of notification of such challenge. [Transmission Owner], and where applicable, the Transmission Provider, shall appoint a senior representative to work with the party that submitted the Informal Challenge (or its representative) toward a resolution of the challenge. If [Transmission Owner] disagrees with such challenge, [Transmission Owner] will provide the Interested Party(ies) with an explanation supporting the inputs, supporting explanations, allocations, calculations, or other information. No Informal Challenge may be submitted after ~~November~~ January 31, and [Transmission Owner] must respond to all Informal Challenges by no later than ~~December 1~~February 28, unless the Review Period is extended by [Transmission Owner] or FERC.

C. Informal Challenges shall be subject to the resolution procedures and limitations in this Section IV. Formal Challenges shall be filed pursuant to these protocols and shall satisfy all of the following requirements.

(1) A Formal Challenge shall:

(a) Clearly identify the action or inaction which is alleged to violate the filed rate formula or protocols;

(b) Explain how the action or inaction violates the filed rate formula or protocols;

(c) Set forth the business, commercial, economic or other issues presented by the action or inaction as such relate to or affect the party filing the Formal Challenge, including:

(i) The extent or effect of an Accounting Change;

(ii) Whether the Annual True-Up or projected net revenue requirement fails to include data properly recorded in accordance with these protocols;

(iii) The proper application of the formula rate and procedures in these protocols;

(iv) The accuracy of data and consistency with the formula rate of the charges shown in the Annual True-Up or projected net revenue requirement;

(v) The prudence of actual costs and expenditures;

(vi) The effect of any change to the underlying Uniform System of Accounts or the Applicable Form; or

ATTACHMENT B

(vii) Any other information that may reasonably have substantive effect on the calculation of the charge pursuant to the formula.

(d) Make a good faith effort to quantify the financial impact or burden (if any) created for the party filing the Formal Challenge as a result of the action or inaction;

(e) State whether the issues presented are pending in an existing Commission proceeding or a proceeding in any other forum in which the filing party is a party, and if so, provide an explanation why timely resolution cannot be achieved in that forum;

(f) State the specific relief or remedy requested, including any request for stay or extension of time, and the basis for that relief;

(g) Include all documents that support the facts in the Formal Challenge in possession of, or otherwise attainable by, the filing party, including, but not limited to, contracts and affidavits; and

(h) State whether the filing party utilized the Informal Challenge procedures described in these protocols to dispute the action or inaction raised by the Formal Challenge, and, if not, describe why not.

(2) Service. Any person filing a Formal Challenge must serve a copy of the Formal Challenge on [Transmission Owner]. Service to [Transmission Owner] must be simultaneous with filing at the Commission. Simultaneous service can be accomplished by electronic mail in accordance with § 385.2010(f)(3), facsimile, express delivery, or messenger. The party filing the Formal Challenge shall serve the individual listed as the contact person on the Transmission Owner's Informational Filing required under Section VI of these protocols.

D. Informal and Formal Challenges shall be limited to all issues that may be necessary to determine: (1) the extent or effect of an ~~Material~~ Accounting Change; (2) whether the Annual True-Up or projected net revenue requirement fails to include data properly recorded in accordance with these protocols; (3) the proper application of the formula rate and procedures in these protocols; (4) the accuracy of data and consistency with the formula rate of the calculations shown in the Annual True-Up and projected net revenue requirement; (5) the prudence of actual costs and expenditures; ~~and~~ (6) the effect of any change to the underlying Uniform System of Accounts or [Applicable Form]; or (7) any other information that may reasonably have substantive effect on the calculation of the charge pursuant to the formula.

E. [Transmission Owner] will cause to be posted all Informal Challenges from Interested Parties and [Transmission Owner's] response(s) to such Informal Challenges; except, however, if Informal Challenges or responses to Informal Challenges include material deemed by [Transmission Owner] to be confidential information, such information will not be publicly posted but will be made available to requesting parties pursuant to a

ATTACHMENT B

confidentiality agreement to be executed by [Transmission Owner] and the requesting party.~~Such posting will be subject to all applicable confidentiality protections under the Tariff.~~

F. Any changes or adjustments to the True-Up Adjustment or projected net revenue requirement resulting from the Information Exchange and Informal Challenge processes that are agreed to by [Transmission Owner] will be reported in the Informational Filing required pursuant to Section VI of these protocols. Any such changes or adjustments agreed to by [Transmission Owner] on or before December 1 will be reflected in the projected net revenue requirement for the upcoming Rate Year. Any changes or adjustments agreed to by [Transmission Owner] after December 1 will be reflected in the following year's Annual True-Up, as discussed in Section V of these protocols.

G. ~~If [Transmission Owner] and any Interested Party(ies) have not resolved any Informal Challenge within thirty (30) days after the Review Period, a~~An Interested Party shall have ~~an additional thirty (30) days~~ until March 31 following the Review Period (unless such ~~period~~ date is extended with the written consent of [Transmission Owner] to continue efforts to resolve the Informal Challenge) to make a Formal Challenge with FERC, which shall be served on [Transmission Owner] ~~by electronic service~~ on the date of such filing as specified in Section IV.C(2) above. A Formal Challenge shall be filed in the same docket as [Transmission Owner's] Informational Filing discussed in Section VI of these protocols. [Transmission Owner] shall respond to the Formal Challenge by the deadline established by FERC. A party~~'s~~ may not pursue a Formal Challenge ~~may not raise any issue that was not the subject of~~ if that party~~'s~~ did not submit an Informal Challenge during the applicable Review Period.

H. In any proceeding initiated by FERC concerning the Annual True-Up or projected net revenue requirement or in response to a Formal Challenge, [Transmission Owner] shall bear the burden, consistent with section 205 of the Federal Power Act, of proving that it has correctly applied the terms of the formula rate consistent with these protocols, and that it followed the applicable requirements and procedures in this Attachment O~~, in that year's Annual True-Up~~. Nothing herein is intended to alter the burdens applied by FERC with respect to prudence challenges.

~~I. Subject to judicial review of FERC orders, each True-Up Adjustment shall become final as to the projected net revenue requirement calculated for the Rate Year for which the True-Up Adjustment was calculated and no longer subject to challenge pursuant to these protocols or by any other means by FERC or any other entity on the later to occur of (i) passage of the thirty (30) day period (or extended period, if applicable) for making a Formal Challenge if no such challenge has been made and FERC has not initiated a proceeding to consider the Annual True-Up, or (ii) a final FERC order issued in response to a Formal Challenge or a proceeding initiated by FERC to consider the Annual True-Up.~~

~~J~~I. Except as specifically provided herein, nothing herein shall be deemed to limit in any way the right of [Transmission Owner] to file unilaterally, pursuant to Federal Power Act section 205 and the regulations thereunder, to change the formula rate or any of its inputs (including, but not limited to, rate of return and transmission incentive rate treatment), or to replace the formula rate with a stated rate, or the right of any other party to request such changes pursuant to section 206 of the Federal Power Act and the regulations thereunder.

~~K~~J. No party shall seek to modify the formula rate under the Challenge Procedures set forth in these protocols and the Annual True-Up and projected net revenue requirement shall not be subject to challenge by anyone for the purpose of modifying the formula rate. Any modifications to the formula rate will require, as applicable, a Federal Power Act section 205 or section 206 filing.

~~L~~K. Any Interested Party seeking changes to the application of the formula rate due to a change in the Uniform System of Accounts or [Applicable Form], shall first raise the matter with [Transmission Owner] in accordance with this Section IV before pursuing a Formal Challenge.

Section V. Changes to ~~Annual Updates~~True-Up Adjustment or Projected Net Revenue Requirement

Except as provided in Section IV.F of these protocols, any changes to the data inputs, including but not limited to revisions to [Transmission Owner's] [Applicable Form], or as the result of any FERC proceeding to consider the Annual True-Up or projected net revenue requirement, or as a result of the procedures set forth herein, shall be incorporated into the formula rate and the charges produced by the formula rate in the projected net revenue requirement for the next Rate Year. This reconciliation mechanism shall apply in lieu of mid-Rate Year adjustments. Interest on any refund or surcharge shall be calculated in accordance with the procedures outlined in Section __ of these protocols.

Section VI. Informational Filings

A. By ~~January 3~~March 15 of each year, [Transmission Owner] shall submit to FERC an informational filing ("Informational Filing") of its projected net revenue requirement for the Rate Year, including its Annual True-Up and True-Up Adjustment. This Informational Filing must include the information that is reasonably necessary to determine: (1) that input data under the formula rate are properly recorded in any underlying workpapers; (2) that [Transmission Owner] has properly applied the formula rate and these procedures; (3) the accuracy of data and the consistency with the formula rate of the Transmission Revenue Requirement and rates under review; ~~and~~ (4) the extent of accounting changes that affect formula rate inputs; and (5) the reasonableness of projected costs. The Informational Filing must also describe any corrections or adjustments made during that period, and must describe all aspects of the formula rate or its inputs that are the subject of an ongoing dispute under the Informal or Formal Challenge procedures. Within five (5) days of such Informational Filing, MISO shall provide notice of the Informational Filing via an email exploder list and by posting the docket number assigned to [Transmission Owner's] Informational Filing on the MISO website and OASIS.

B. Any challenges to the implementation of the Attachment O formula rate must be made through the Challenge Procedures described in Section IV of these protocols or in a separate complaint proceeding, and not in response to the Informational Filing.

Appendix 2 – February 20, 2014 FERC Order on ITC-M Attachment FF (Docket No. EL12-104-000)

146 FERC ¶ 61,113
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Cheryl A. LaFleur, Acting Chairman;
Philip D. Moeller, John R. Norris,
and Tony Clark.

Interstate Power and Light Company

v. Docket No. EL12-104-001

ITC Midwest, LLC

Midcontinent Independent System Operator, Inc. Docket No. ER13-2156-000

ORDER ON REHEARING, CLARIFICATION AND COMPLIANCE FILING

(Issued February 20, 2014)

1. On August 16, 2013, ITC Midwest, LLC (ITCM) requested rehearing or, in the alternative, clarification of the Commission's order[1] granting a complaint filed by Interstate Power and Light Company (IPL) against ITCM pursuant to section 206 of the Federal Power Act (FPA).[2] On August 19, 2013, IPL filed a request for clarification of the July 18 Order. On August 14, 2013, Midcontinent Independent System Operator, Inc. (MISO) submitted tariff revisions to comply with the July 18 Order. In this order, we deny ITCM's request for rehearing, grant in part and deny in part ITCM and IPL's respective requests for clarification, and accept MISO's compliance filing.

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[1] *Interstate Power and Light Co. v. ITC Midwest, LLC*, 144 FERC ¶ 61,052 (2013) (July 18 Order).

[2] 16 U.S.C. § 824e (2012).

I. Background

A. IPL Complaint

2. On September 14, 2012, IPL filed a complaint against ITCM, seeking to change a provision of Attachment FF of the MISO Tariff, under which generator interconnection customers in the ITCM zone were able to receive up to 100 percent reimbursement for interconnection-related network upgrade costs (ITCM Policy).[3] IPL, as the largest transmission customer within the ITCM zone, alleged that the ITCM Policy unfairly burdened IPL and its retail customers with significant added transmission costs, compared to the costs that they would otherwise bear under the interconnection-related network upgrade policy generally used elsewhere in the MISO footprint,[4] and that these costs exceeded the benefits that IPL and its retail customers received from the upgrades. IPL specifically challenged the assumption that it and its customers were obtaining benefits commensurate with the costs it incurred, arguing that it had no evidence that: (1) overall transmission system reliability has materially improved as a result of the generator interconnection-related network upgrades for which ITCM reimbursed its generator interconnection customers 100 percent of their costs; (2) it or any other generator in the ITCM pricing zone has experienced an improved ability to export power due to counterflows; (3) locational marginal prices have been materially reduced as a result of generation interconnected through reimbursable generator interconnection-related network upgrades; or (4) any other significant benefit has accrued to IPL or its customers.

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[3] Under the ITCM Policy, an interconnection customer paid for 100 percent of the costs of the network upgrades up-front. The interconnection customer was then reimbursed 100 percent of those network upgrade costs within 90 days of its Commercial Operation Date if it demonstrated at that time that either: (1) the generating facility had been designated as a Network Resource to serve *any* Network Load in MISO; or (2) it had entered into a contract with *any* MISO network customer for capacity, or in the case of an Intermittent Resource, for energy, from the generating facility for a period of one year or longer. July 18 Order, 144 FERC ¶ 61,052 at P 39.

[4] Under the reimbursement policy for generator interconnection-related network upgrades generally used throughout the MISO footprint (MISO Policy), the interconnection customer is repaid 10 percent of the cost of network upgrades above 345 kV and is fully responsible for network upgrades 345 kV and below. MISO Tariff, Attachment FF III.A.2.d.1.

3. While IPL acknowledged that it has seen certain system improvements since the ITCM Policy was adopted (e.g., a general reduction in the number of sustained transmission outages and lower locational marginal prices), IPL rejected the notion that these benefits were related to the ITCM Policy, and attributed them to upgrades unassociated with generator interconnections and the general downturn in the economy. IPL requested that the Commission grant its complaint and direct MISO to revise its Tariff, effective September 14, 2012, to conform the policy for generator interconnection-related network upgrades in the ITCM zone to the policy generally used throughout the MISO footprint.[5]

B. <u>Answer to the Complaint</u>

4. ITCM challenged IPL's assertion that IPL has not benefitted from reliability improvements or lower energy prices resulting from generator interconnection-related network upgrades. ITCM noted that IPL provided no studies to support its claim that the benefits resulted from other system improvements or the downturn in the economy, and ITCM argued that IPL would, in fact, benefit from increased local generation because locational marginal prices would be reduced at the interconnection site. ITCM further argued that the ITCM Policy was just and reasonable and not unduly discriminatory, noting that the Commission has upheld 100 percent reimbursement policies as a means to increase competition in bulk power markets and help ensure reliability and just and reasonable prices. ITCM argued that IPL did, in fact, benefit from the disputed transmission system upgrades, which ITCM characterized as "part and parcel to rehabilitation in the historic underinvestment in the [ITCM] transmission system."[6] ITCM also claimed that IPL exaggerated some of the costs it claimed to have paid under the ITCM Policy. Ultimately, ITCM concluded that the ITCM Policy promoted a more efficient transmission planning process because it allowed ITCM to plan based upon the best configuration for system improvement rather than the lowest cost that would be paid by the generator interconnection customer.[7]

C. <u>The July 18 Order</u>

5. The Commission granted IPL's complaint, finding that the ITCM Policy, in the context of MISO's zonal rate structure, resulted in an improper subsidy and was therefore unjust, unreasonable, and unduly discriminatory or preferential. In Order Nos. 2003-A

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[5] July 18 Order, 144 FERC ¶ 61,052 at PP 14-19.

[6] *Id.* P 23 (quoting ITCM Answer to Complaint at 23).

[7] *Id.* PP 20-25.

and 2003-B, the Commission explained that it adopted two protections for native load customers to ensure that those customers did not provide an improper subsidy for generator interconnection-related network upgrades: (1) "higher-of" pricing, and (2) the ability to demonstrate on a case-by-case basis that "higher-of" pricing results in an improper subsidy. However, in Order No. 2003-B, the Commission stated that it could not envision that such a subsidy would ever occur because the "higher-of" policy was designed to avoid such a situation.[8] Similarly, in cases where the generator interconnection customer sells off-system, the Commission concluded in Order No. 2003 that transmission customers on the system remain protected because the transmission provider has the assurance that it can recover from the generator interconnection customer the higher of incremental or embedded costs.[9]

6. With respect to the ITCM Policy, however, the Commission concluded that its discussion in the Order No. 2003 rulemaking proceeding did not directly address the issue presented by the complaint: namely, whether the ITCM Policy is appropriate in light of MISO's zonal rate structure. The Commission found that, as implemented within MISO's zonal rate structure, the ITCM Policy did not provide for adequate contribution to the costs of network upgrades required to interconnect a generator in the ITCM zone from either the interconnecting generator or a transmission customer taking service to access the generator's output when the generator exports to another MISO pricing zone. This is because, in MISO's zonal rate structure, the embedded cost transmission rate paid is the rate of the pricing zone where the power is *delivered*, rather than where it is sourced. Therefore, when an interconnection customer located in the ITCM zone exports its power to another pricing zone, full reimbursement by ITCM of the cost of network upgrades required for the interconnection service occurs without adequate contribution to the embedded costs of the ITCM transmission system by the interconnection customer or transmission customer exporting the power. The Commission found that those network upgrade costs are instead largely recovered through the transmission rates within the ITCM zone that are paid by customers, such as IPL, that take transmission service to serve their loads in the ITCM zone. Accordingly, the Commission found that "higher-of" pricing in this situation does not, as Order No. 2003 envisioned, protect IPL and other customers in the ITCM zone against impermissibly subsidizing network upgrades required for generator interconnection. The Commission directed MISO to revise Attachment FF of its Tariff, effective as of the date of the July 18 Order, to conform the

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[8] *Id.* P 35 (citing Order No. 2003-B, FERC Stats. & Regs. ¶ 31,171 at P 56).

[9] *Id.* P 37 (citing Order No. 2003-A, FERC Stats. & Regs. ¶ 31,160 at P 588).

generator interconnection-related network upgrade reimbursement policy in the ITCM zone to the policy generally used elsewhere in MISO.[10]

II. Discussion

A. Request for Rehearing

1. ITCM

7. ITCM argues that the Commission erred by failing to examine the relevant data in the record and articulate a rational connection between the facts and its decision to overturn the ITCM Policy. ITCM asserts that the Commission failed to give any weight to the substantial benefits of the ITCM Policy, and argues that the ITCM Policy allocated costs based on economic realities, i.e., that network upgrades associated with new generator interconnections provide economic benefits to the ITCM zone in the form of lower locational marginal prices[11] and enhanced reliability. ITCM argues that the Commission, in approving the ITCM Policy, recognized that IPL and other customers would benefit from the addition of new generation, even if that generation has a power purchase agreement with a utility in another state, and the Commission failed in the July 18 Order to articulate a reason for reversing course on its policy. ITCM further argues that subsequent to its approval of the ITCM Policy, the Commission's approval of MISO's Multi-Value Project cost allocation methodology[12] demonstrates an understanding that the addition of network transmission has broad benefits and beneficiaries. However, ITCM argues, the Commission failed to consider the benefits of lower locational marginal prices in MISO due to the ITCM Policy, nor did it consider that IPL admitted that its locational marginal prices are lower, despite attempting to explain those lower prices with unsupported claims that they are due to other factors, such as the

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[10] *Id.* PP 39-44.

[11] For example, ITCM argues that in MISO, many purchasers of remote wind are simply arbitraging the locational marginal prices between the point of injection and the locational marginal price at the load zone, which is a logical economic action in a market, like MISO, that has no physical delivery rights or obligations. ITCM states that the injection of this additional wind energy lowers the locational marginal price at the wind interconnection site, providing benefits to local, zonal loads even if the local loads did not contract for that power. ITCM Rehearing Request at 11.

[12] *Midwest Indep. Transmission Sys. Operator, Inc.*, 133 FERC ¶ 61,221 (2010) (subsequent history omitted).

economic downturn. ITCM, by comparison, states that it provided evidence that the locational marginal prices in the ITCM zone have been low.[13]

8. Furthermore, ITCM argues that the ITCM Policy recognized the clear economic benefits of increased system reliability, which are derived from greater sectionalizing of the grid and increased system capability. The ITCM Policy, according to ITCM, also recognized the historic underinvestment in the ITCM system and sought to remedy IPL's failure to timely invest in system upgrades.[14] ITCM argues that these needed upgrades should not rest on the backs of generators alone, especially where record evidence demonstrates the significant benefits to ratepayers, and that allocating these network upgrade costs to independent power producers puts them at a competitive disadvantage to generation owned by the local utility. In addition, ITCM notes that IPL acknowledges that it has experienced a decrease in system outages. ITCM ultimately concludes that the July 18 Order did not give ITCM's arguments the benefit of serious consideration and argues that this failure constitutes reversible error.[15]

9. ITCM asserts that the Commission also failed to provide any rationale for its policy change, and particularly to explain why the ITCM Policy that the Commission previously approved as just and reasonable is no longer just and reasonable. ITCM argues that the ITCM Policy was consistent with the approach utilized by the Commission for decades, that was formally adopted in Order No. 2003, and that is utilized in other RTOs, such as the Southwest Power Pool,[16] and other MISO zones. ITCM notes that the Commission has long held that the cost of network upgrades should be borne by all parties who benefit from them, not just the party receiving the greatest benefit. ITCM argues that the ITCM Policy is pro-competitive, as the Commission

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[13] ITCM Rehearing Request at 9-13.

[14] ITCM refers to the affidavit submitted with its answer to the IPL complaint, in which ITCM witness Doug Collins describes the investment in 69, 115, and 161 kV upgrades, and notes that almost 70 percent of the network upgrade costs (approximately $89.5 million out of a total of $129 million) are for upgrades that increase the capacity of the transmission system. Mr. Collins also notes that the average age of the lines being replaced is approximately 51 years, and ITCM asserts that therefore these interconnection upgrades are, in some instances, expediting system improvements that would have been necessary even without the additional generation. *Id.* at 13-14.

[15] *Id.* at 13-15.

[16] *Id.* at 15 (citing Southwest Power Pool, Inc., Open Access Transmission Tariff, Sixth Revised Vol. No. 1, Attachments Z1 (0.0.0) and Z2 (0.0.0)).

previously recognized in Order No. 2003 when it approved a similar, *pro forma* 100 percent cost reimbursement policy. In addition, ITCM notes that the Commission has consistently accepted different approaches in charging rates for jurisdictional services and has found that more than one method for calculating rates for the same service is acceptable. By requiring a "one size fits all" approach, ITCM argues that the Commission arbitrarily precluded meaningful review of the ITCM Policy's costs and benefits, which include providing a level playing field for generation developers. ITCM also asserts that the ITCM Policy remains consistent with the Commission's long-held policy of prohibiting "and" pricing for transmission service, noting that, if a new generator pays for its network upgrades and transmission service, then the new generator would be responsible for paying for both its incremental upgrades and for transmission service.[17]

10. ITCM argues that the July 18 Order, by requiring MISO to conform the reimbursement policy for generator interconnection-related network upgrades in the ITCM zone to the policy generally used in MISO, is inconsistent with standard cost causation policies. ITCM asserts that the result of the July 18 Order is that the ITCM zone will pay zero percent of the costs for network facilities below 345 kV and only 0.38 percent of the costs of network facilities rated at or above 345 kV. ITCM argues that the Commission:

> is not authorized to approve a pricing scheme that requires a group of utilities to pay for facilities from which its members derive no benefits, or benefits that are trivial in relation to the costs sought to be shifted to its members. "[A]ll approved rates [must] reflect to some degree the costs actually caused by the customer who must pay them."[18]

However, according to ITCM, the result of the July 18 Order is that the costs of network upgrades in the ITCM zone are shifted onto generators and customers outside the ITCM zone, which will allow customers in the ITCM zone to pay no more than a trivial amount for the locational marginal pricing and reliability benefits they receive from the transmission upgrades. The effect, ITCM claims, is that the Commission has created an impermissible subsidy for those entities who receive the largest benefits from the network upgrades. ITCM therefore asserts that the Commission has failed its burden under section 206 of the FPA to prove the reasonableness of the change in methodology. In addition, ITCM argues that the ITCM Policy is more consistent with the approved cost

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[17] *Id.* at 15-18.

[18] *Id.* at 18-19 (quoting *Illinois Commerce Comm'n v. FERC*, 576 F.3d 470, 476 (7th Cir. 2009) (citation omitted)).

allocation for transmission upgrades under Attachment FF of the MISO Tariff. For example, ITCM argues, remote loads from ITCM's service territory will pay load ratio shares of all transmission projects constructed under MISO's new Multi-Value Project tariff provisions, which may include both high voltage lines and lower voltage facilities necessary to support the higher voltage lines, and similarly under the ITCM Policy, the primary beneficiaries of local network upgrades will pay for those facilities while the broader network upgrades approved by MISO are allocated across the MISO footprint. ITCM argues that this outcome is just and reasonable, and the Commission committed reversible error by failing to follow its own cost causation policy.[19]

11. ITCM argues that the Commission erred by failing to hold a hearing and develop further record evidence on the dispute. ITCM states that a complainant must do more than make unsubstantiated allegations to prevail on a complaint, and IPL entirely failed its burden of proof by failing to offer substantial evidence that the ITCM Policy is unjust and unreasonable, especially in light of the contrary evidence introduced by ITCM. At a minimum, the Commission acted arbitrarily and capriciously by not requiring a hearing to be held to verify and resolve any disputed issues of material fact. ITCM further argues that the Commission, in reversing its position on the ITCM Policy, deprived ITCM of its rights under section 205 of the FPA. Citing to the Commission's order accepting the ITCM Policy, ITCM argues that the reasons for accepting the ITCM Policy in 2008 remain applicable today, and the July 18 Order has not been adequately justified by the Commission. ITCM notes that the Commission, in originally accepting the ITCM Policy, rejected an argument by Great River that the ITCM Policy would result in an increased zonal rate without benefits to other customers in the ITCM zone and found that the ITCM Policy looks beyond direct-usage related benefits of network upgrades to other benefits, including improved reliability, improved ability to import generation due to counterflows that are created from exporting generators, and reduced locational marginal prices. ITCM notes that the Commission accepted the ITCM Policy under the MISO zonal transmission pricing structure that largely exists today, and therefore that the Commission approved the ITCM Policy fully aware that it would result in a different cost allocation for network upgrades in different MISO zones. ITCM argues that the Commission failed to adequately explain what evidence or facts changed such that the ITCM Policy became unjust and unreasonable.[20]

12. Finally, ITCM argues that the July 18 Order discourages new renewable generation, which is contrary to both national and Commission policy. ITCM claims that

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[19] *Id.* at 18-21.

[20] *Id.* at 21-24.

the ITCM Policy supports President Obama's goals of diversifying America's energy sources, and notes that numerous states have adopted renewable portfolio standards to further this goal. However, ITCM argues that the July 18 Order will hinder renewable development by increasing the costs to renewable developers to connect to the grid without taking into account the numerous benefits of such interconnections. ITCM asserts that the July 18 Order also might have the unintended consequence of generators locating in sub-optimal parts of the grid to minimize network upgrade costs, which could in turn lead to higher fuel transmission costs and ultimately higher costs to consumers. ITCM notes that Order No. 1000[21] relied on the need to access renewable energy as a justification for expanding transmission planning requirements, but the July 18 Order undermines that justification by forcing additional costs onto renewable projects. ITCM argues that the ITCM Policy incentivized the location of wind resources in the ITCM region, where wind is abundant and higher generating capacity factors can be attained, which in turn benefitted the state of Iowa and its economy.[22]

2. <u>Commission Determination</u>

13. For the reasons discussed below, we deny ITCM's request for rehearing of the Commission's July 18 Order.

14. First, we disagree with ITCM that the Commission's findings in the July 18 Order are unsupported. ITCM asserts that the Commission failed to examine the evidence in the record regarding the purported benefits of the ITCM Policy and "reversed course" on its prior recognition of the variety of benefits that result from network upgrades. However, the Commission has recognized and continues to recognize the benefits beyond those associated with direct usage of the network upgrades. In this case, a comprehensive review of network upgrade benefits was unnecessary in order to grant IPL's complaint, because these benefits cannot override the fundamental flaw in the ITCM Policy that the July 18 Order identified: namely that, as implemented within the MISO zonal rate structure, the ITCM Policy did not provide adequate contribution to the costs of network upgrades required to interconnect a generator in the ITCM zone from either the interconnecting generator or a transmission customer taking service to access the generator's output when the generator exports to another MISO pricing zone, because

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[21] *Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities*, Order No. 1000, FERC Stats. & Regs. ¶ 31,323 (2011), *order on reh'g*, Order No. 1000-A, 139 FERC ¶ 61,132, *order on reh'g and clarification*, Order No. 1000-B, 141 FERC ¶ 61,044 (2012).

[22] ITCM Rehearing Request at 24-27.

neither the generator nor the transmission customer pay the zonal transmission rate that includes the costs of those upgrades.[23] Thus, the Commission's prior and ongoing recognition of network benefits does not preclude the finding of an improper subsidy or require a different outcome on rehearing.

15. Contrary to ITCM's argument, the July 18 Order is consistent with Commission precedent, which has sought to properly incentivize network upgrade benefits while protecting native load from improperly subsidizing generator interconnection. As stated in the July 18 Order, Order No. 2003-A clarified that the Commission was not abandoning "any of the fundamental principles that have long guided our transmission pricing policy," in particular transmission providers' ability to charge the "higher-of" the incremental cost rate or the embedded cost rate,[24] and Order No. 2003-B reaffirmed this "important objective of our interconnection pricing policy."[25] Notably, in Order No. 2003-A the Commission stated that:

> [a]llowing transmission providers to charge the higher of an incremental cost rate or an embedded cost rate ensures that other transmission customers, including the Transmission Provider's native load, will not subsidize Network Upgrades required to interconnect merchant generation.[26]

However, Order No. 2003-B also affirmed an additional protection for native load and other customers: namely, that a party could file with the Commission to demonstrate an improper subsidy.[27] Therefore, the Commission has simultaneously recognized the existence of network-wide benefits while adopting critical protections for native load against improper subsidies.

16. In the instant case, the Commission examined the record and determined in the July 18 Order that, as discussed above, an improper subsidy did indeed exist. The

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[23] July 18 Order, 144 FERC ¶ 61,052 at P 40.

[24] Order No. 2003-A, FERC Stats. & Regs. ¶ 31,160 at P 580.

[25] Order No. 2003-B, FERC Stats. & Regs. ¶ 31,171 at P 56.

[26] Order No. 2003-A, FERC Stats. & Regs. ¶ 31,160 at P 580.

[27] Order No. 2003-B, FERC Stats. & Regs. ¶ 31,171 at P 56. As explained below, in proposing this additional protection, the Commission assumed in the first instance the application of a pricing policy that is designed to avoid subsidy, i.e., "higher of" pricing.

Commission found that "higher-of" pricing in this situation does not, as Order No. 2003 and its progeny envisioned, protect IPL and other customers in the ITCM zone from subsidizing network upgrades required for generator interconnection. The Commission was therefore not required to establish hearing procedures,[28] and, after examining the record, it articulated its rationale for finding that this improper subsidy existed.

17. We also note that, in a prior order denying rehearing of a Commission order accepting the 100 percent reimbursement policy, the Commission reiterated that Order No. 2003 provided for two "fail-safe" customer protections: (1) "higher of" pricing; and (2) the ability of customers to make an FPA section 206 filing demonstrating that the Order No. 2003 pricing policy results in an improper subsidy by the transmission provider's native load or other customers, if they believe an unfair subsidy is occurring.[29] In the ATC & ITC/METC Rehearing Order, the Commission recognized that "higher of" pricing is unavailable in MISO because of its license plate zonal rate structure, but noted that the ability to file an FPA section 206 complaint demonstrating an improper subsidy remained a viable option for customers concerned that they are unfairly subsidizing interconnecting generators.[30] However, the Commission's reliance on the ability to file a section 206 complaint demonstrating an improper subsidy was inconsistent with Order No. 2003-B, because the adoption of that second "fail-safe" customer protection in Order No. 2003-B was specifically premised on a pricing policy designed to avoid such subsidy being in place in the first instance: namely, the protections of "higher of" pricing, which we concluded in the July 18 Order do not adequately protect customers in the circumstances presented by the complaint.[31]

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[28] The Commission need only hold an evidentiary hearing when a genuine issue of material fact exists and that issue "cannot be adequately resolved on the written record." *Cajun Elec. Power Coop., Inc. v. FERC*, 28 F.3d 173, 177 (D.C. Cir. 1994) (citation and quotation omitted).

[29] *Int'l Transmission Co.*, 123 FERC ¶ 61,065, at P 20 (2008) (ATC & ITC/METC Rehearing Order).

[30] *Id.*

[31] In addition to arguing that the ITCM Policy is consistent with the approach adopted in Order No. 2003, ITCM also argues that its policy is consistent with the approach utilized in SPP. *Supra* P 9. We note, however, that the costs of network upgrades required solely for a generator interconnection in SPP are subject to participant funding by the interconnection customer. *See* SPP Open Access Transmission Tariff, Sixth Revised Vol. No. 1, Definition of "Directly Assigned Upgrade Costs." SPP's

(continued…)

18. ITCM also states that Commission policy has held that all parties benefitting from network upgrades should contribute to the costs of those upgrades, "not just the party receiving the greatest benefit," and that these benefits may still be significant even if they are not large.[32] Again, as explained above, the critical flaw in the ITCM Policy is that it *failed* to ensure the very contribution that ITCM recognizes that Commission precedent requires, as, because of MISO's zonal rate structure, generators inside the ITCM zone that export power to load outside the ITCM zone were not contributing to the costs of network upgrades required to interconnect those generators.

19. Therefore, contrary to ITCM's assertions that the Commission is arbitrarily applying a "one-size fits-all" policy and is inexplicably departing from precedent,[33] the Commission is in fact applying a broadly-accepted reimbursement policy while acting to protect native load from improper subsidies as articulated in Order Nos. 2003-A and 2003-B. As discussed in the July 18 Order, the Commission accepted the MISO Policy, which was developed by MISO and approved by a majority of its stakeholders, on an interim basis to address unintended location-specific outcomes resulting from application of MISO's prior reimbursement policy.[34] In a subsequent order accepting the MISO Policy on a permanent basis, the Commission explicitly affirmed that the MISO Policy "remains just and reasonable,"[35] and the Commission finds this to still be the case.

20. ITCM's attacks on the MISO Policy otherwise constitute an impermissible collateral attack on the Commission's prior acceptance of that policy. We disagree that application of the MISO Policy to ITCM "flips [the Commission's] cost causation principles on its head," as the Commission has already found the MISO Policy, particularly when coupled with MISO's Multi-Value Project cost allocation

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Tariff, to which ITCM refers, simply provides the interconnection customer with a financial right associated with such participant funded network upgrade, consistent with the financial transmission rights provided for participant funded network upgrades in MISO and in other RTOs. *See* Attachment Z2 §§ I and II.D.3. *See also* Order No. 2003, FERC Stats. & Regs. ¶ 31,146 at P 695.

[32] ITCM Rehearing Request at 16.

[33] *Id.* at 18.

[34] *Midwest Indep. Transmission Sys. Operator, Inc.*, 129 FERC ¶ 61,060 (2009) (*Otter Tail/MDU Order*).

[35] *Midwest Indep. Transmission Sys. Operator, Inc.*, 133 FERC ¶ 61,221, at P 332 (2010).

methodology, to be just and reasonable. ITCM provides no explanation as to why its transmission pricing zone is unique, such that the MISO Policy, notwithstanding its general applicability within the MISO footprint, is not just and reasonable when applied to the ITCM zone.

21. In addition, ITCM asserts that the MISO Policy impermissibly "requires a group of utilities to pay for facilities from which its members derive no benefits, or benefits that are trivial in relation to the costs sought to be shifted to its members," and ITCM also states that "the Commission has created an impermissible subsidy for those entities who receive the largest benefits from the Network Upgrades."[36] First, we disagree that generator interconnection customers interconnecting in the ITCM zone derive no or trivial benefits from these network upgrades, which "but for" the reliable interconnection of these generators in the ITCM zone would not be built pursuant to MISO's Tariff. Accordingly, without these upgrades, these generators would be unable to interconnect with the ITCM system, let alone sell their power onto the grid.

22. We also disagree with ITCM that the MISO Policy creates an impermissible subsidy in favor of existing transmission customers, particularly load, within the ITCM zone. First, we note that, under the MISO Policy, load will directly (in the case of generation resources developed by load-serving entities) or indirectly (in the case of generation resources whose output is contracted by load-serving entities) pay for the cost of network upgrades necessary to interconnect new generating resources that serve native load, as those costs will be rolled into the cost of power for those resources. In addition, transmission customers in the ITCM zone directly contribute to the costs of maintaining and upgrading the transmission system in that zone through their payment for transmission service. Although interconnection customers will fund the bulk of the network upgrades required for their interconnection, existing transmission customers, particularly load, are otherwise responsible for the overwhelming majority of transmission system costs in the ITCM zone.[37] Furthermore, while ITCM will, of course, continue to plan to improve the transmission system and to assess costs for those upgrades to appropriate beneficiaries (e.g., load) by including those upgrades in its zonal

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[36] ITCM Rehearing Request at 18-19.

[37] For example, IPL notes in its complaint that IPL's customer load, served using network integration transmission service on the ITCM transmission system, represents approximately 88 percent of the joint rate zone load that includes Great River Energy, the Southern Minnesota Municipal Power Agency, and the Central Minnesota Municipal Power Agency, and paid approximately 88 percent of ITCM's annual revenue requirements in 2011. IPL Complaint at 4 n.7, 7.

transmission rates, it need not, and indeed should not, rely on the generator interconnection process to identify network upgrades that can improve its system. We therefore reject ITCM's argument that the MISO Policy creates an impermissible subsidy in favor of transmission customers in the ITCM zone.

23. Finally, we disagree that the July 18 Order discourages renewable generation and should be rejected. Assertions that the July 18 Order will "stymie" development of renewables or lead to increased costs for consumers because of inefficient siting are speculative and unsubstantiated, and do not refute the Commission's underlying finding that the ITCM Policy results in an impermissible subsidy by native load within the ITCM zone.

B. Requests for Clarification

1. ITCM

24. If the Commission does not grant rehearing, ITCM requests clarification that (1) its interconnection customers that have connected under provisional GIAs prior to the July 18 Order will be treated under the prior ITCM Policy when their studies are completed and network upgrades determined, and (2) all interconnection customers that had reached the MISO generator interconnection queue process M2 milestone date by July 18, 2013 will remain under the prior ITCM Policy. ITCM explains that these customers previously made business decisions regarding their interconnections based on the policy in place when they provisionally interconnected or posted the M2 milestone payment, as appropriate. ITCM argues that to change the policy for these customers would constitute undue discrimination and would not be just and reasonable.[38]

2. IPL

25. IPL requests that the Commission clarify that GIAs executed before July 18, 2013 will be subject to the revised reimbursement policy in the ITCM zone if the GIAs are amended to add additional network upgrades. IPL argues that, notwithstanding the Commission's statement in the July 18 Order that it would decide such issues on a case-by-case basis,[39] Commission precedent supports IPL's clarification request.[40] IPL states

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[38] ITCM Rehearing Request at 28-29.

[39] July 18 Order, 144 FERC ¶ 61,052 at P 44.

[40] IPL Clarification Request at 5 (discussing *Midwest Indep. Transmission Sys. Operator, Inc.*, 125 FERC ¶ 61,210 (2008), in which the Commission concluded that a new reimbursement policy should apply to additional upgrades included in an amended

(continued…)

that it is concerned that, if the Commission does not grant the requested clarification, additional disputes or litigation will result, despite the Commission having concluded in the July 18 Order that the ITCM Policy creates an improper subsidy. IPL argues that there is no particular scenario that would justify application of the ITCM Policy to new upgrades associated with a previously executed GIA.[41]

3. Commission Determination

26. We grant in part and deny in part ITCM's request for clarification. Regarding the impact of the July 18 Order on provisional GIAs, we find that the appropriate reimbursement policy is the one in effect on the date a GIA is executed or is filed unexecuted with the Commission.[42] Accordingly, upgrades identified in a provisional GIA that was executed or filed unexecuted with the Commission prior to July 18, 2013 will be governed by the prior ITCM Policy. However, any upgrades that are subsequently identified and incorporated into such a provisional GIA, and which were

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GIA, while the existing network upgrades would be governed by the prior reimbursement policy, and Order No. 2003, in which the Commission concluded that an amendment to an existing interconnection agreement to increase capacity is treated as an entirely new interconnection request that must be placed in the queue).

[41] IPL Clarification Request at 4-6. On September 3, 2013, NextEra Energy Resources, LLC (NextEra) filed an answer in response to IPL's request for clarification, in which NextEra also asks that the Commission clarify which existing GIAs will be subject to a case-by-case evaluation if they are amended. However, while both IPL and NextEra's Filings seek "clarifications," IPL and NextEra effectively seek rehearing of the July 18 Order, in that they request that we reject the case-by-case approach ordered therein and instead categorically rule that amendments to certain categories of existing GIAs will (in IPL's case) or will not (in NextEra's case) be subject to the MISO Policy. Rule 713(d)(1) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.713(d)(1) (2013), prohibits answers to a request for rehearing, and Rule 713(b) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.713(b) (2013), states that a request for rehearing "must be filed not later than 30 days after issuance of any final decision or other final order in a proceeding." Therefore, NextEra's Answer, whether treated as an answer to IPL's rehearing request or an out-of-time rehearing request (given that it was submitted more than 30 days after the July 18 Order), is rejected.

[42] *Otter Tail/MDU Order*, 129 FERC ¶ 61,060 at P 62; *see also Midwest Indep. Transmission Sys. Operator, Inc.*, 114 FERC ¶ 61,106, at P 70 (2006).

not included in the provisional GIA that was executed or filed unexecuted with the Commission prior to July 18, 2013, will be governed by the MISO Policy in effect in the ITCM zone after July 18, 2013.

27. We decline ITCM's request that we clarify that interconnection customers who had reached the M2 milestone in the generator interconnection queue process prior to the issuance of the July 18 Order will remain eligible for reimbursement under the ITCM Policy. While we recognize that such customers have made financial commitments to enter or remain in the definitive planning phase of MISO's interconnection process, we affirm our finding in the July 18 Order that customers that have executed a GIA or filed an unexecuted GIA with the Commission prior to July 18, 2013 remain eligible for reimbursement under the ITCM Policy. If customers posted the M2 milestone and now wish to withdraw from the queue because of the changes ordered in the July 18 Order, and the MISO Tariff does not provide an opportunity for them to recoup their M2 milestone payment, those customers may file a request for waiver with the Commission and present their case for recovery.

28. Finally, we grant in part and deny in part IPL's request for clarification. As discussed above, upgrades that are subsequently identified and incorporated into a provisional GIA, and which were not included in the provisional GIA that was executed or filed unexecuted with the Commission prior to July 18, 2013, will be governed by the MISO Policy in effect in the ITCM zone after July 18, 2013. However, as stated in the July 18 Order, we believe that amendments to non-provisional GIAs (as clarified herein) are more appropriately addressed on a case-by-case basis to give consideration to the situation giving rise to the amendments. As cited by IPL and the Commission in the July 18 Order, the Commission has found that additional upgrades associated with a request to increase the capacity of the generation facility may be subject to the new reimbursement policy effective at the time the amended GIA was executed. However, the Commission reached that holding based on specific facts (e.g., an increase in a generator's capacity) that may be different than those presented in future amendments.[43] The Commission therefore affirms that it is important to retain the discretion to assess each particular situation giving rise to an amendment on a case-by-case basis.

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[43] *Midwest Indep. Transmission Sys. Operator, Inc.*, 125 FERC ¶ 61,210, at P 17 (2008) ("Given the unusual circumstances in this case, we find that in order to reach a just and reasonable result, the 50-50 cost-sharing provisions should only apply to the upgrades associated with the 150 MW increase.").

III. MISO's Compliance Filing

A. Notice and Interventions

29. Notice of MISO's compliance filing was published in the *Federal Register*, 78 Fed. Reg. 51,719 (2013), with interventions and protests due on or before September 4, 2013. Timely motions to intervene were filed by Alliant Energy, Consumers Energy Company, Geronimo Wind Energy, LLC, MidAmerican Energy Company, and the NRG Companies.[44]

B. Compliance Filing

30. As stated above, the Commission directed MISO to revise Attachment FF of its Tariff to conform the generator interconnection-related network upgrade reimbursement policy in the ITCM zone to the policy generally used elsewhere in MISO.[45] On August 14, 2013, MISO filed with the Commission revisions to Attachment FF, Section III.A.2.d of the Tariff. Specifically, MISO removed references to ITCM from Section III.A.2.d.4, thereby making Sections III.A.2.d.1-3 (MISO's general interconnection customer reimbursement provisions) applicable to ITCM.

C. Commission Determination

31. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2013), the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

32. We accept the Tariff revisions proposed by MISO. They satisfy the requirement of the July 18 Order to conform the policy for reimbursement of generator interconnection-related network upgrade costs in the ITCM zone to the MISO Policy.

The Commission orders:

(A) ITCM's request for rehearing is hereby denied, as discussed in the body of this order.

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[44] The NRG Companies consist of: Louisiana Generating LLC, NRG Power Marketing LLC, GenOn Energy Management, LLC, Bayou Cove Peaking Power LLC, Big Cajun I Peaking Power LLC, NRG Sterlington Power LLC, Cottonwood Energy Company LP and NRG Wholesale Generation LP.

[45] July 18 Order, 144 FERC ¶ 61,052 at P 42.

(B) ITCM's request for clarification is hereby granted in part and denied in part, as discussed in the body of this order.

(C) IPL's request for clarification is hereby granted in part and denied in part, as discussed in the body of this order.

(D) MISO's Compliance Filing is hereby accepted effective July 18, 2013, as directed in the body of this order.

By the Commission. Commissioner Norris is concurring with a separate statement attached.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Interstate Power and Light Company
v.
ITC Midwest, LLC

Docket No. EL12-104-001

(Issued February 20, 2014)

NORRIS, Commissioner, *concurring*:

I write separately to reiterate my concern that the remedy in this complaint proceeding – use of MISO's generator interconnection reimbursement policy – may not adequately recognize the benefits that interconnection-related network upgrades provide to all users of the MISO transmission system. These benefits include enhanced reliability and lower energy prices resulting from a modernized, less constrained transmission system and an increase in energy supply options. MISO's policy risks ignoring these benefits by allocating the vast majority, if not all, the cost responsibility for interconnection-related network upgrades to the generator interconnection customer.[46]

I encourage MISO and its stakeholders to consider a cost allocation remedy that would recognize and balance the benefits of interconnection-related network upgrades to both the generator interconnection customer and the broader set of MISO transmission system customers.

For these reasons, I respectfully concur.

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John R. Norris, Commissioner

[46] Under MISO's generally applicable policy, generator interconnection customers are reimbursed for 10 percent of any required network upgrades rated at or above 345 kV, and receive no reimbursement for required network upgrades rated less than 345 kV.

Document Content(s)

Appendix 3 – May 29, 2014 IPL Transmission Stakeholder Meeting Presentations

Interstate Power and Light

Transmission Stakeholder Meeting Agenda

Thursday, May 29, 2014
1:00 – 4:00 PM
The Hotel at Kirkwood Center, Cedar Rapids, IA

Topic	Presenters
Welcome, Introductions & Opening Remarks	John Weyer, Manager – Transmission Services, Alliant Energy Linda Mattes, VP Energy Delivery Operations, Alliant Energy
Transmission Activity Update	John Weyer
Planning & Projects Coordination	Joe McGovern, Director Electrical Engineering, Planning & Services, Alliant Energy
Rates & Settlement Update	Erik Madsen, Director – Regulatory Affairs, Alliant Energy
Break	
Energy Markets Overview	Martin Smith, PE - Sr. Energy Market Consultant, Alliant Energy
Transmission Policy / Regulatory Update	Eric Guelker, Director – Regional & Federal Policy, Alliant Energy
ITC Midwest Update	Doug Collins, President, ITC Midwest Mike Gregory, Maintenance Specialist, ITC Midwest
Upcoming Transmission Activities	John Weyer

ALLIANT ENERGY®
Interstate Power and Light

Transmission Stakeholder Meeting

The Hotel at Kirkwood Center

Cedar Rapids, Iowa

May 29, 2014

Welcome & Introductions

John Weyer

Manager - Transmission Services

Alliant Energy

Today's Discussion

- Opening Remarks
- Transmission Activity Update
- Planning & Projects Coordination
- Rates & Settlement Update
- Energy Markets Overview
- Transmission Policy / Regulatory Update
- ITC Midwest Update
- Upcoming Transmission Activities

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Interstate Power and Light

Opening Remarks

Linda Mattes

Vice President - Energy Delivery Operations

Alliant Energy

Transmission Activity Update

John Weyer
Manager - Transmission Services
Alliant Energy

ALLIANT ENERGY
Interstate Power and Light

Nov 2013 Meeting Follow-Up

- Q&A follow-up sent after meeting

- Included response to suggestion that IPL evaluate shifting certain IPL load in NW Iowa off ITC Midwest's system to that of Corn Belt Power Cooperative (CBPC).

- <u>Response:</u> IPL, ITC Midwest and CBPC were already working together in interest of reliable service to IPL's NW IA customers. Plan to move approximately 11 MW of IPL load over 5-7 years from existing ITC Midwest 34.5kV transmission system to CBPC's existing area 69kV and 161kV system, rebuilding portions of distribution and converting others. This allows ITC Midwest to retire approximately 120 miles of aging 34.5kV transmission while minimizing overall costs to IPL customers by utilizing available area transmission resources and avoiding extensive new transmission investment.

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Nov 2013 Meeting Follow-Up

- Similar suggestion in earlier meeting that IPL evaluate shifting load from ITC Midwest transmission system to MidAmerican's to access lower transmission rates for IPL customers
- IPL reiterates observations from prior analysis that:
  - As load leaves ITC Midwest system, transmission rate goes up for load that remains (load divisor in rate calculation)
  - 70% or more of IPL's load would need to be served by MidAmerican's system to result in transmission cost savings to IPL customers
  - In addition, extensive new investment in transmission interconnections would be required, add to MidAmerican rate

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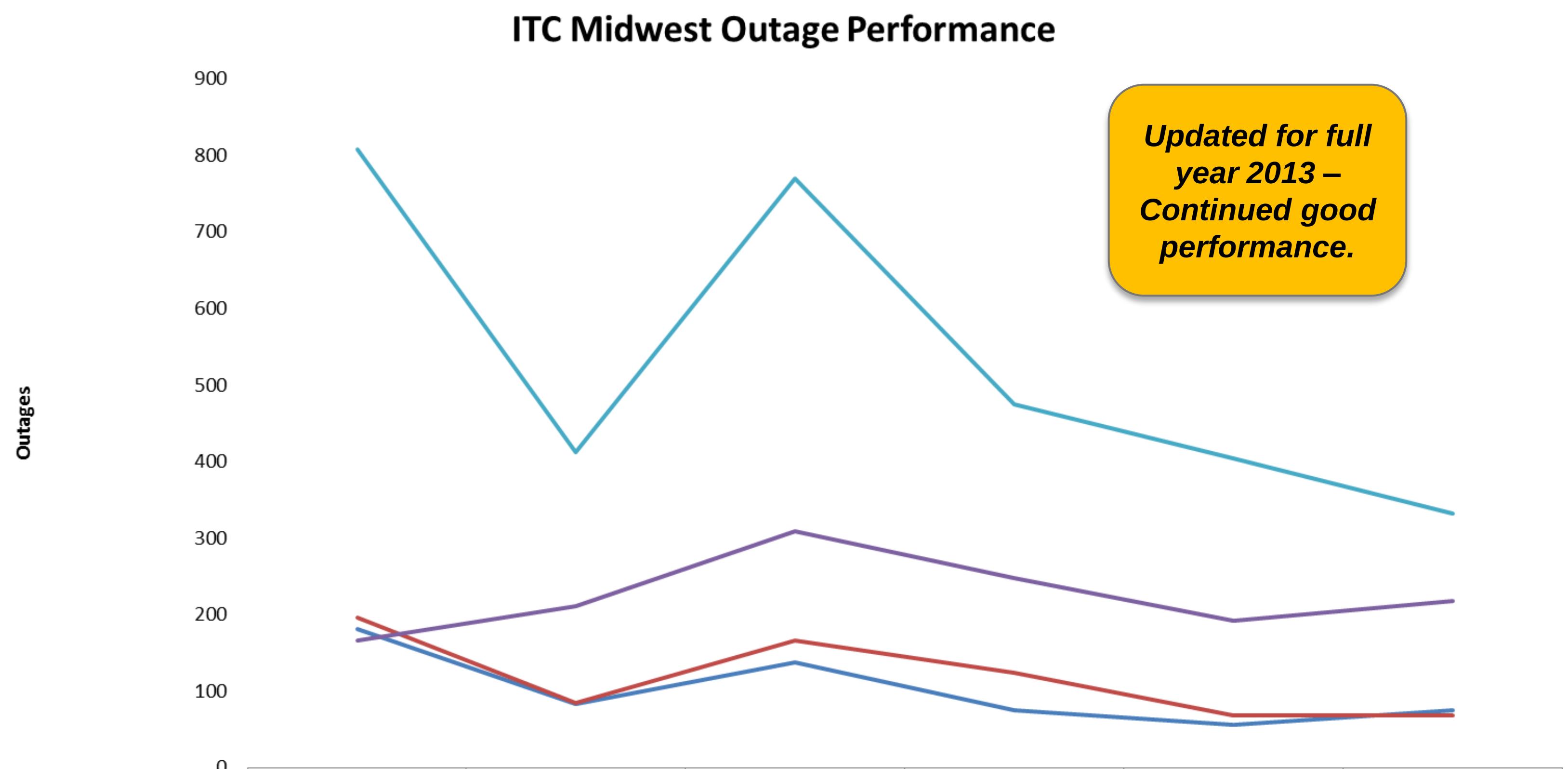
Transmission Benefits – Reliability

- ITC Midwest continues maintenance, rebuilds, voltage conversion and new facility construction
- Customer reliability is improving
- IPL continues to work closely with ITC Midwest to coordinate transmission and distribution work to maximize reliability improvements and minimize each others' costs

Transmission Benefits – Reliability

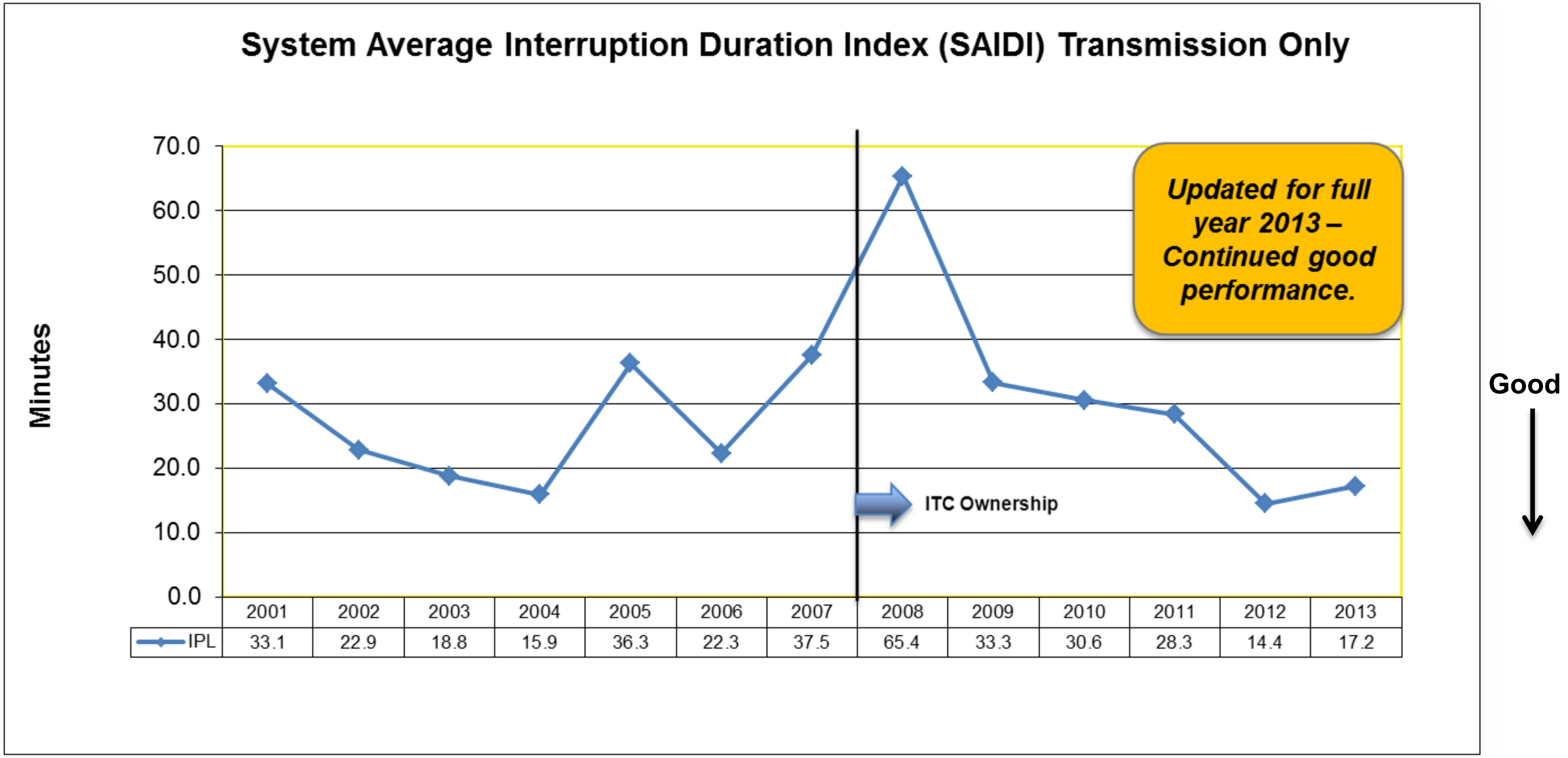


	2008	2009	2010	2011	2012	2013
Sustained 69kV+	182	84	138	76	57	75
Sustained 34.5kV	196	85	166	125	69	69
Momentary 69kV+	167	212	310	248	192	219
Momentary 34.5kV	808	413	770	475	404	333

Good

Alliant Energy
Interstate Power and Light

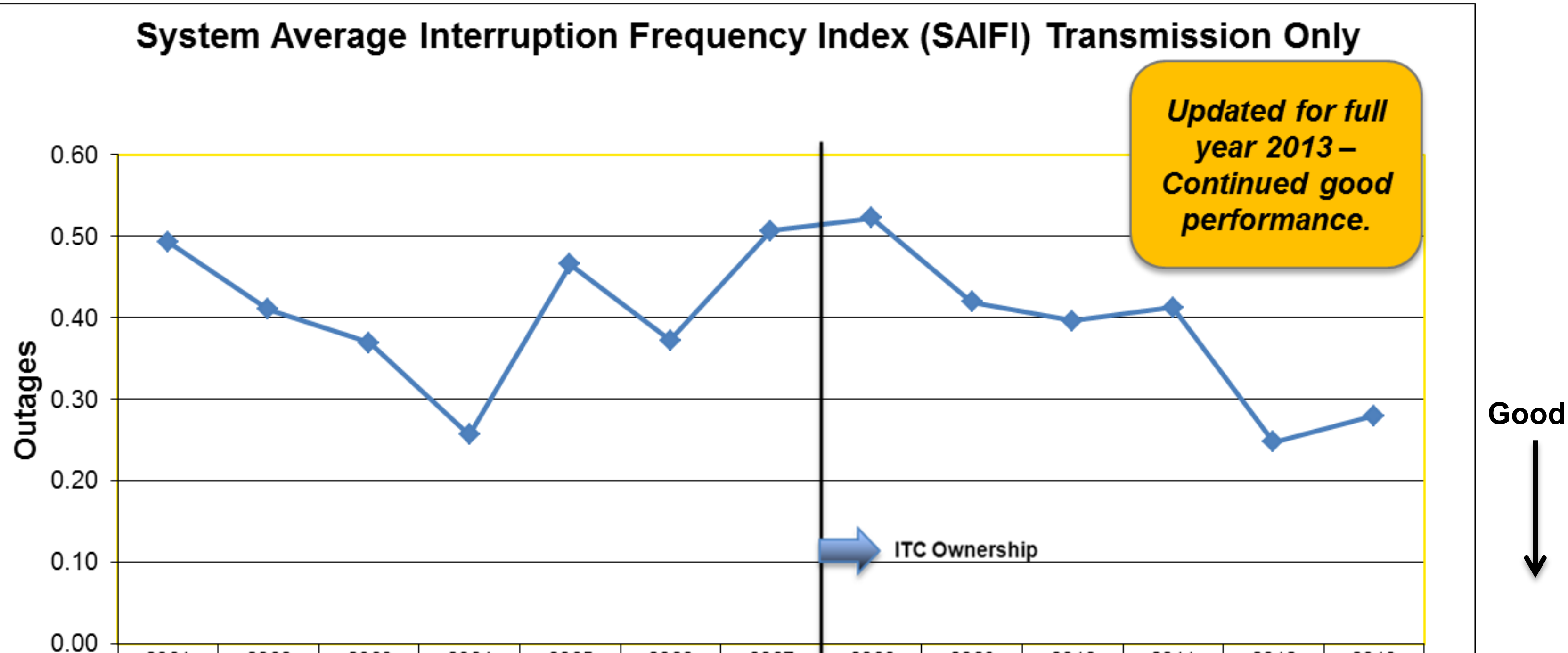
Transmission Benefits – Reliability



From prior analysis work, estimated outage cost savings to customers in the range of $168-498 million, in 2013 $ over the life of the assets, from the first few years of ITC-M ownership and operation

Average length in minutes of outages for all customers.

Transmission Benefits – Reliability



	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
IPL	0.49	0.41	0.37	0.26	0.47	0.37	0.51	0.52	0.42	0.40	0.41	0.25	0.28

Significantly improved transmission reliability, with transmission investments helping reduce the frequency of transmission outages by approximately 30% since 2010

Average number of outages experienced by all customers.

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MISO Formula Rate Protocols

- May 19, 2014 compliance filing to FERC by MISO Transmission Owners (TOs):
  - Revises the protocols in Attachment O of MISO Tariff
  - Now specifically applies protocols to projected revenue requirements, which Alliant Energy had advocated for in submitted comments
  - Addresses concerns about scope of participation, transparency of information, and customers ability to challenge
  - Protocols detail processes and timing for information availability, review and challenge
  - Effective January 1, 2014

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MISO Formula Rate Protocols

- IPL expects to see additional information made available when ITC Midwest posts:
  - Prior year rate true-up calculation by June 1
  - Next year's projected revenue requirement and resulting rate by September 1
- Review and challenge timeline tied to specific dates and is longer than before, allowing interested parties more time to review and initiate Information Exchanges, Informal Challenges or Formal Challenges
- Additional meetings will be held by TOs to review and answer questions.
  - By September 1 to review prior year true-up
  - By November 1 by joint TOs involved with regionally cost shared projects such as the MVPs to review rate components
- Existing ITC Midwest meetings will continue

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Interstate Power and Light

Questions?

Planning & Projects

Joe McGovern

Director – Electrical Engineering, Planning & Services

Alliant Energy

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Transmission Planning and Projects Coordination

Marshalltown Generation Station Process

The Hotel at Kirkwood Center

Cedar Rapids, Iowa

May 29, 2014

Marshalltown Generation Station

Who are the many "players" in transmission related to a new generation plant? The processes are COMPLEX…..

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Generation Owner

MGS Info

- Nominal 650 MW plant
  - ~60 acres adjacent to existing plant
    - Location identified through detailed site studies
  - natural gas fueled plant
    - 2 combustion turbines
    - 1 steam turbine
- Approximately $700M plant, before transmission
- Target in-service of 2017

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Transmission Owner

IPL is a Transmission Dependent Utility (TDU)

- Relies on transmission systems owned by others
- ITC-Midwest is primary transmission owner in IPL's service territory
    - Created in 2007 when IPL sold its transmission assets

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Transmission Owner

ITC-Midwest Footprint

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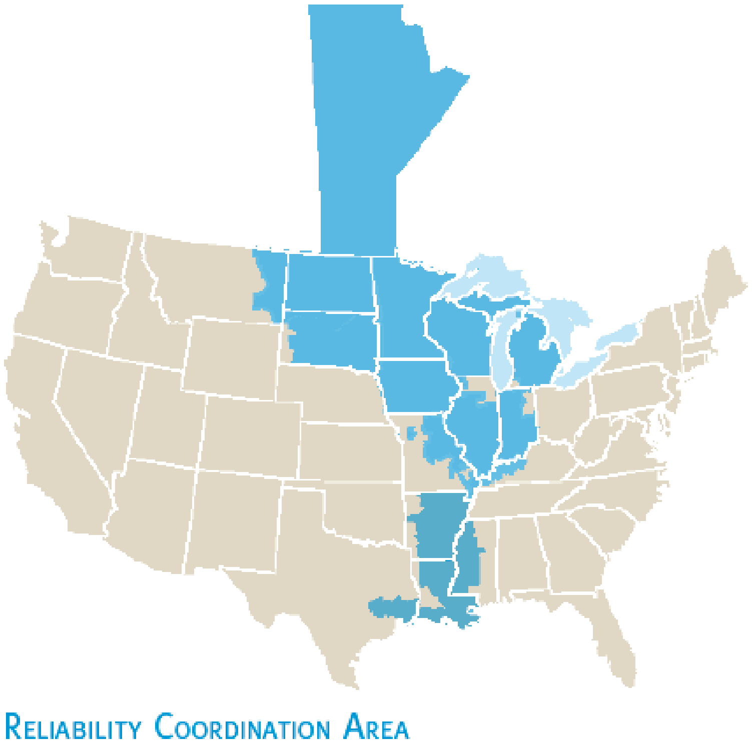
Midcontinent Independent System Operator (MISO)

Primary transmission provider and organization (for IPL) that *implements* transmission policy

MISO provides transmission service using the transmission assets of its transmission-owning members.

Transmission service is provided under the terms and conditions of the MISO tariff.



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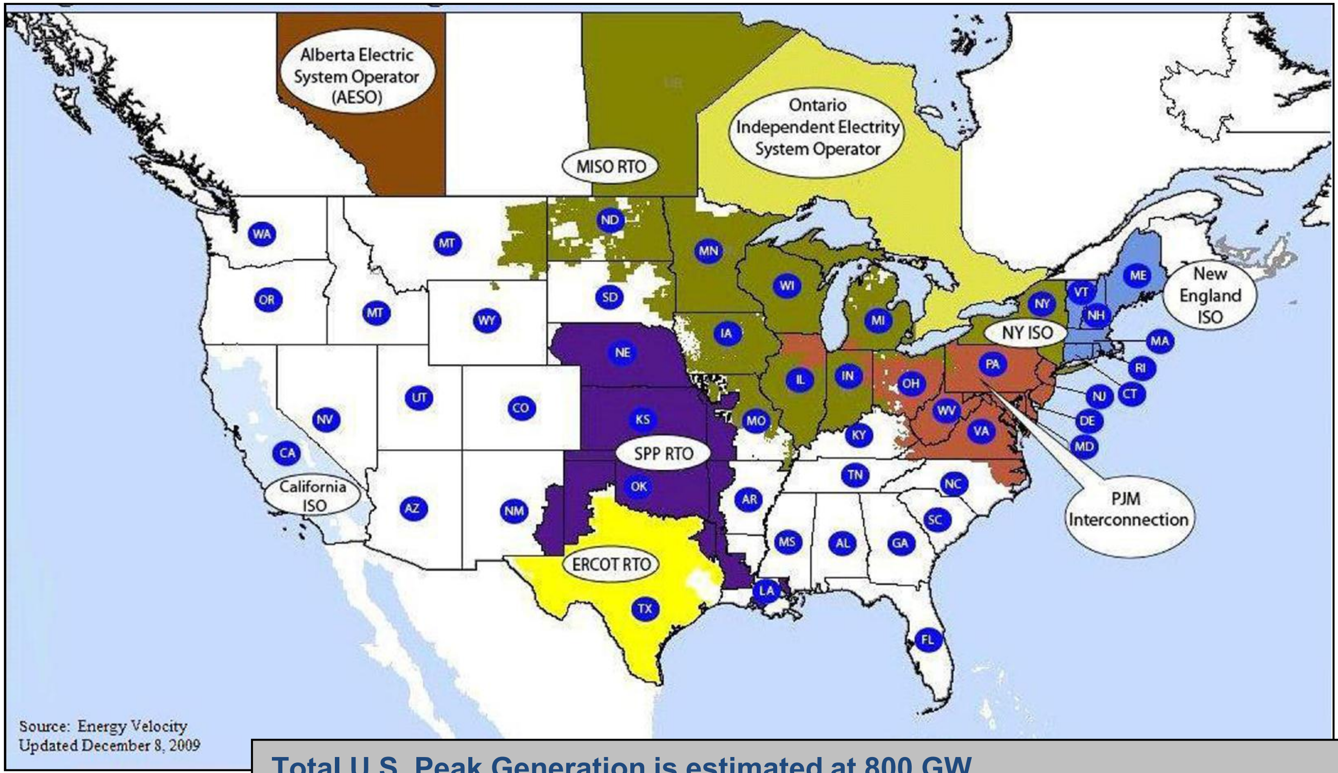
Other System Operators



Total U.S. Peak Generation is estimated at 800 GW

28 GW ISO-NE	ISO New England, Inc.
33 GW NYISO	New York Independent System Operator
50 GW CAISO	California Independent System Operator Corporation
53 GW SPP	Southwest Power Pool, Inc.
63 GW ERCOT	Electric Reliability Council of Texas
116 GW MISO	Midwest Independent Transmission System Operator, Inc.
145 GW PJM	PJM Interconnection, L.L.C.

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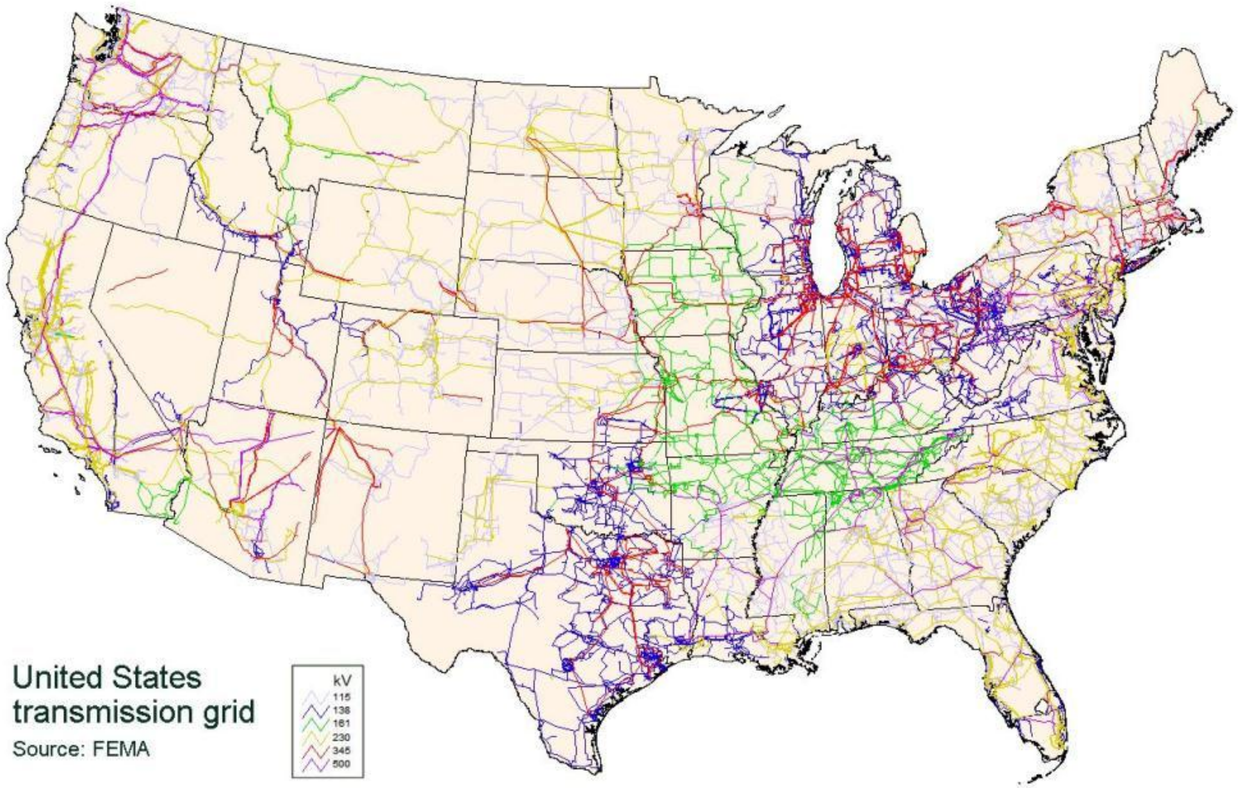
Federal Energy Regulatory Commission (FERC)

Primary regulatory agency that *develops and oversees* transmission policy



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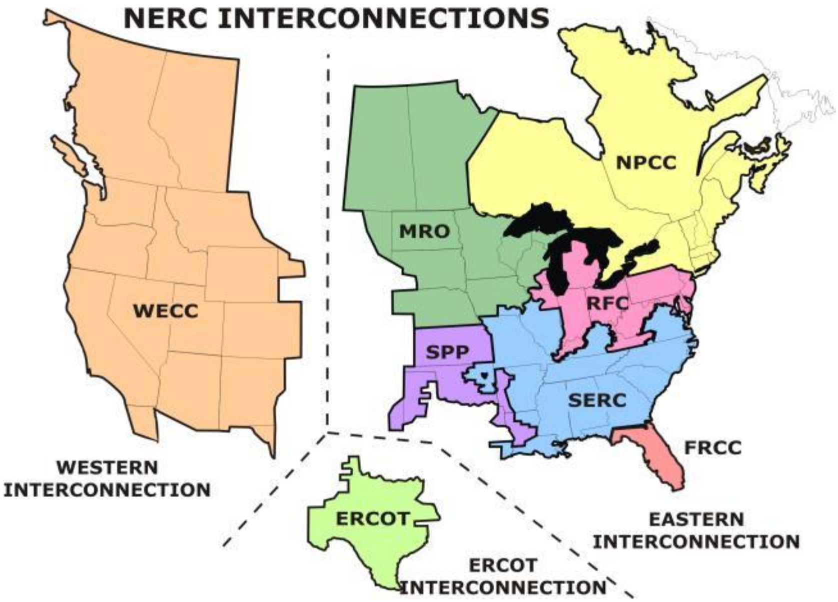
North American Electric Reliability Corporation (NERC)

- 8 regional councils
  - IPL and WPL belong to ***Midwest Reliability Organization (MRO)***
- Set reliability rules for interconnected power grid
  - Mandatory compliance
  - ***Critical Infrastructure Protection (CIP)***
    - Protect Bulk Electric System from electronic invaders (hackers)



Alliant energy is subject to NERC audits and could face financial penalties for violations

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MISO Approval Process Overview

"Would you like the technical or the nontechnical presentation?"

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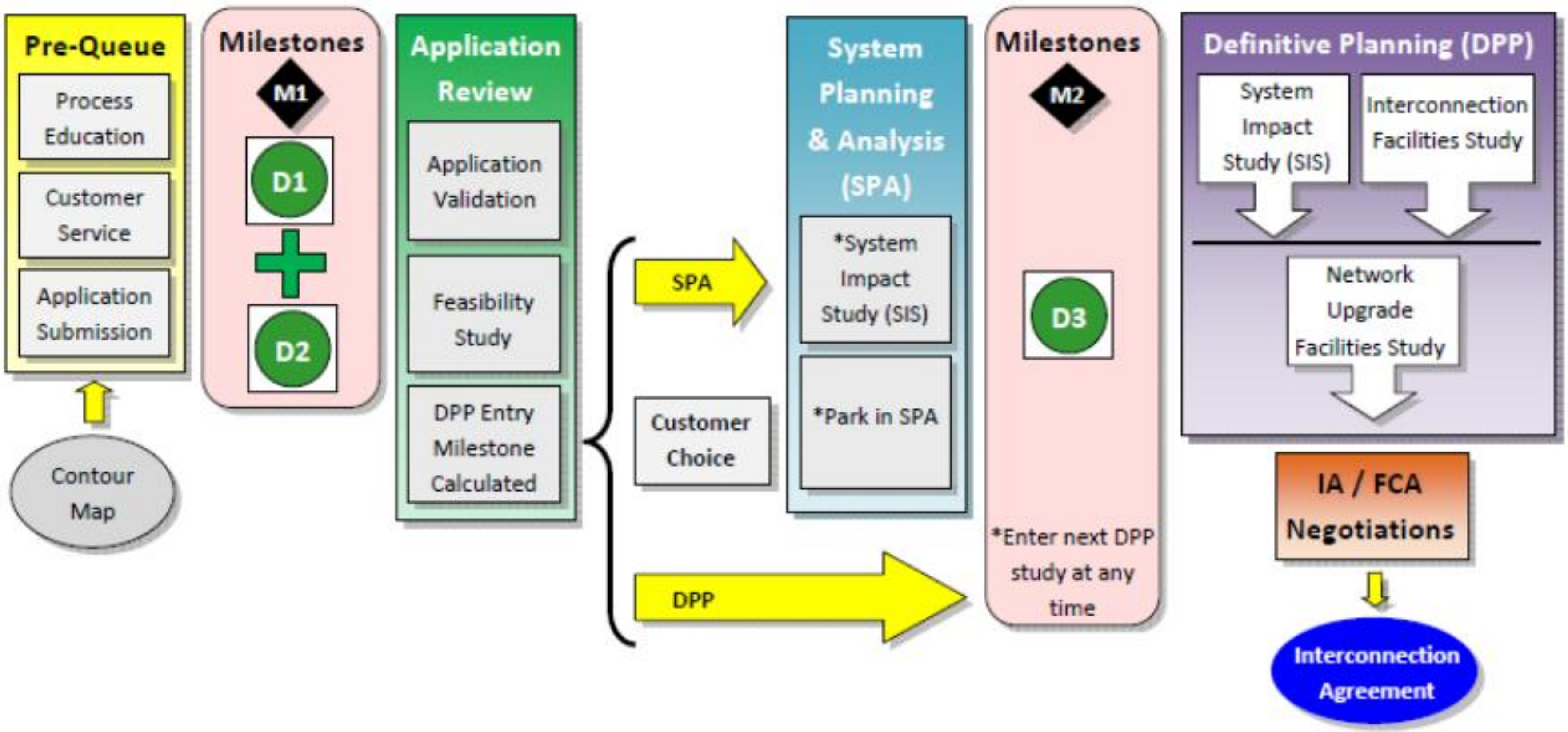
Generation Interconnection Process…



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Generation Interconnection Study 2014 Calendar…

January

Sun	Mon	Tue	Wed	Thu	Fri	Sat
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

February

Sun	Mon	Tue	Wed	Thu	Fri	Sat
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	

March

Sun	Mon	Tue	Wed	Thu	Fri	Sat
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16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

April

Sun	Mon	Tue	Wed	Thu	Fri	Sat
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

May

Sun	Mon	Tue	Wed	Thu	Fri	Sat
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

June

Sun	Mon	Tue	Wed	Thu	Fri	Sat
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

July

Sun	Mon	Tue	Wed	Thu	Fri	Sat
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

August

Sun	Mon	Tue	Wed	Thu	Fri	Sat
					1	2
3	4	5	6	7	8	9
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17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

September

Sun	Mon	Tue	Wed	Thu	Fri	Sat
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30				

October

Sun	Mon	Tue	Wed	Thu	Fri	Sat
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

November

Sun	Mon	Tue	Wed	Thu	Fri	Sat
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9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

December

Sun	Mon	Tue	Wed	Thu	Fri	Sat
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

- End of 90 day Queue Reform Transition period
- Valid Application Required due date (Note 1)
- Feasibility Study Start date (Note 2)
- M2 milestone payment & D3 Deposit due date (Note 3)
- DPP Study Start date (Note 4)
- SPA Study Scope form due date (Note 5)
- SPA Study Start date (Note 6)

Notes:

1. Valid applications must be received by close of business (5:00 p.m. Eastern) 14 calendar days prior to start of Feasibility Study. MISO will receive and evaluate applications for completeness prior to the deadline and notify of any deficiencies to be corrected. Some dates were adjusted to achieve Monday start dates and to avoid Holiday conflicts.
2. A Feasibility Study will take 10 business days, with results posted within 5 business days. Feasibility Studies will be preformed three times during each DPP cycle.
3. M2 milestone payment and D3 deposit must be received by close of business (5:00 p.m. Eastern) 30 calendar days prior to start of DPP study.
4. DPP two cycles in a calendar year .
5. SPA Study Scope Appendix 2 to GIP Att. A must be received by close of business (5:00 p.m. Eastern) on the posted SPA Study Scope form due date.
6. SPA SIS will start on a periodic basis, with the Interconnection Customer assigned to the next scheduled SIS after receipt of a completed Study Scope.

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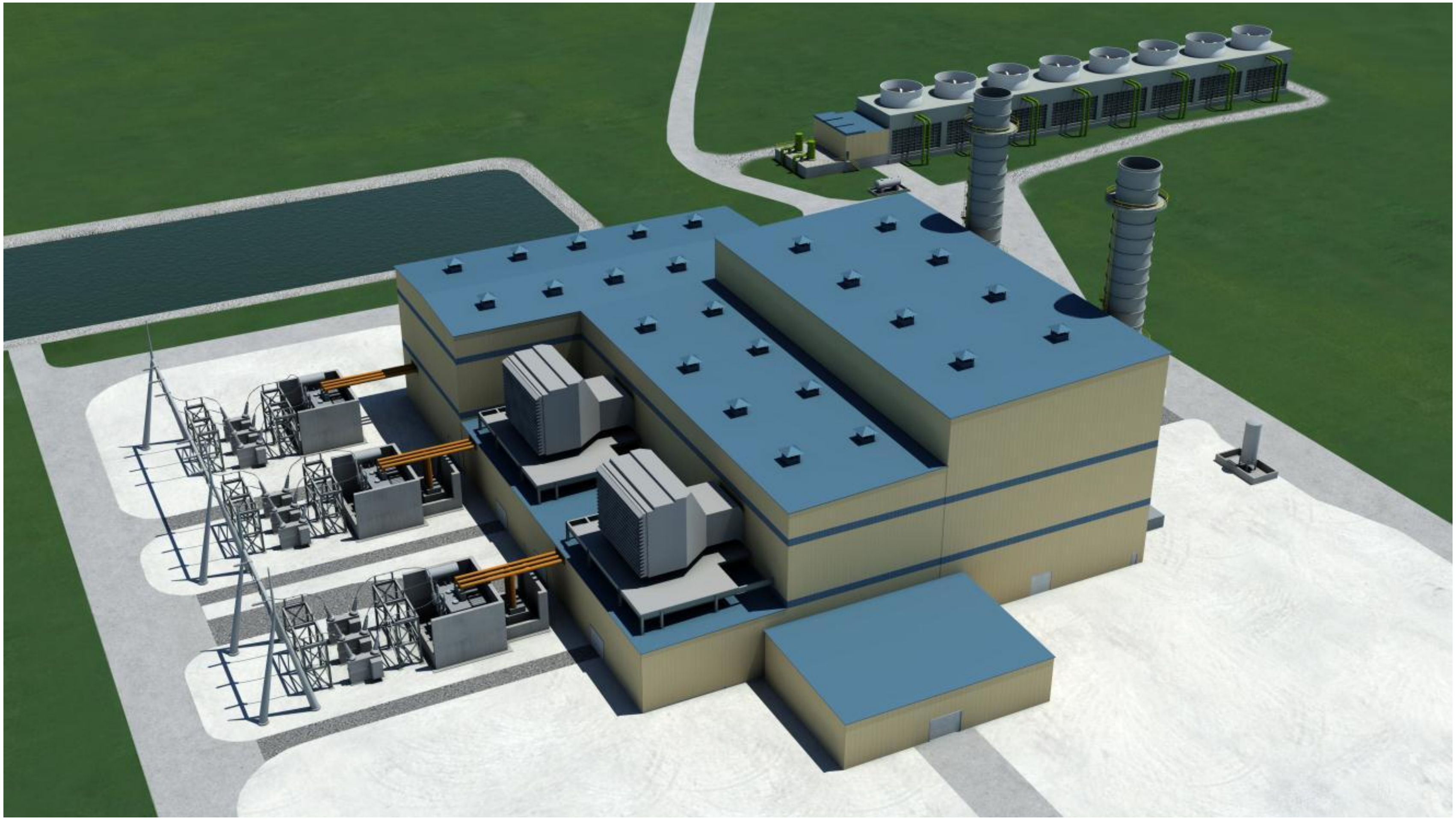
Back to MGS…



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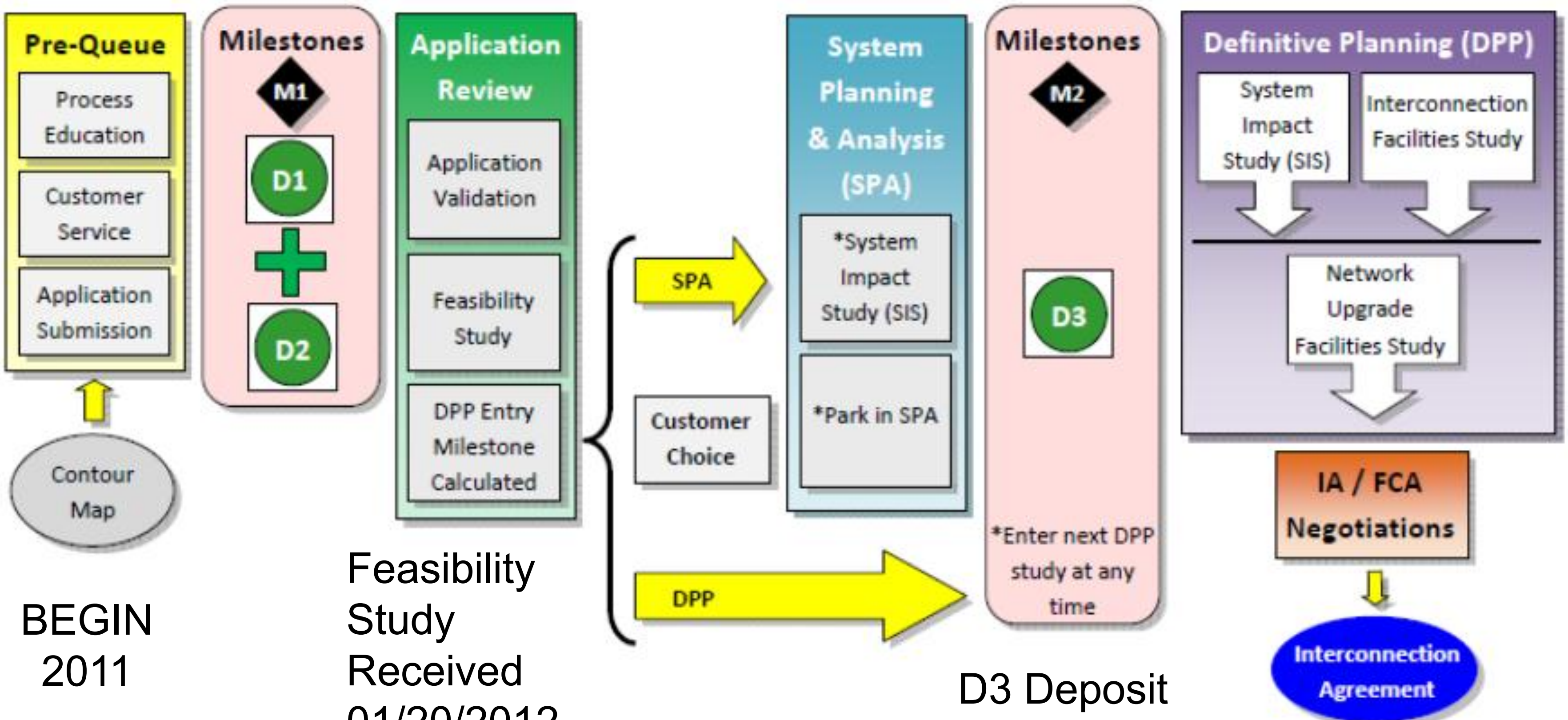
MGS Timeline with MISO Process

D1 & D2 Deposits 11/08/2011

SPA Study Received 07/29/2013

DPP Study Received 01/08/2014



BEGIN 2011

Feasibility Study Received 01/20/2012

D3 Deposit 07/01/2013

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Transmission "World" Conclusion

- Several Stakeholders
  - IPL, ITC, MISO, FERC, Others
- Key steps to building new transmission
  - Studies
  - Approvals
  - Permitting
  - Financing
- Considerations at each step
  - Integrating new generation
  - General bulk-power system reliability
  - Vulnerability of transmission system
  - Congestion

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Rates & Settlement Update

From May 6 Alliant Energy's
Energy Summit
Energy Efficiency Awards

Erik Madsen

Director – Regulatory Affairs

Alliant Energy – IPL

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Agenda

- Value of Alliant Energy
- Bill Breakdown
- Pricing Update – Rate Settlement
- How pricing happens

Prices Consistent with Long-Term Benefits

- **<u>Instant and reliable service</u>**
- 24-7 restoration
- Community partner
- Access to power markets
- **<u>Diverse generation</u>**
- **<u>Lower emissions</u>**

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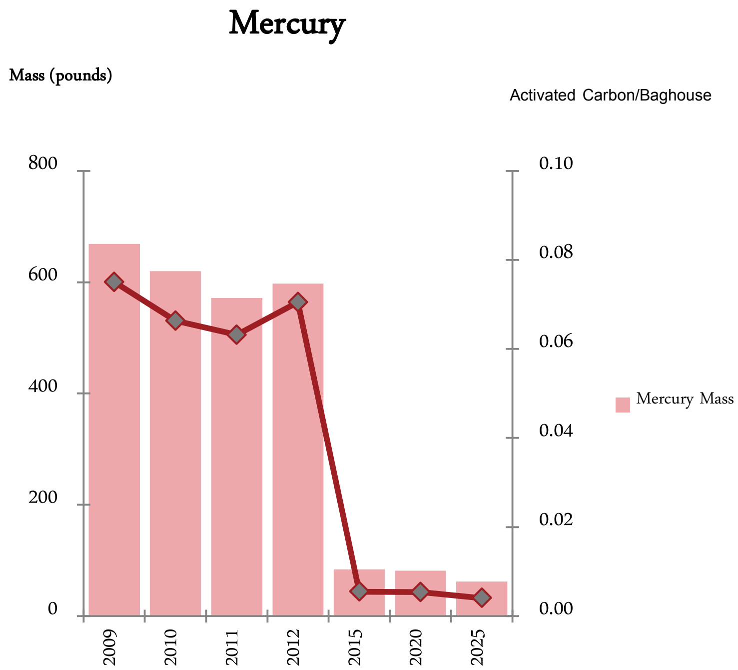
Value of Alliant Energy

- We are making air cleaner in Iowa
  - Meeting new and evolving environmental standards
  - One example - from 2011 to 2016, we expect to reduce mercury by 84%

- We are strengthening the electric grid – since 2010
  - Reduced outages by 20%
  - Shortened the time you are out by about 30%



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Value of Alliant Energy

- "Ten-year" transition of generating fleet
  - Match customer demand
  - Meet environmental standards
  - Minimize customer risks
- Plan:
  - Install wind
  - Renew nuclear contract
  - Retrofit coal plants
  - Retire older units
  - Add gas plant
  - Fuel switch coal plants as needed

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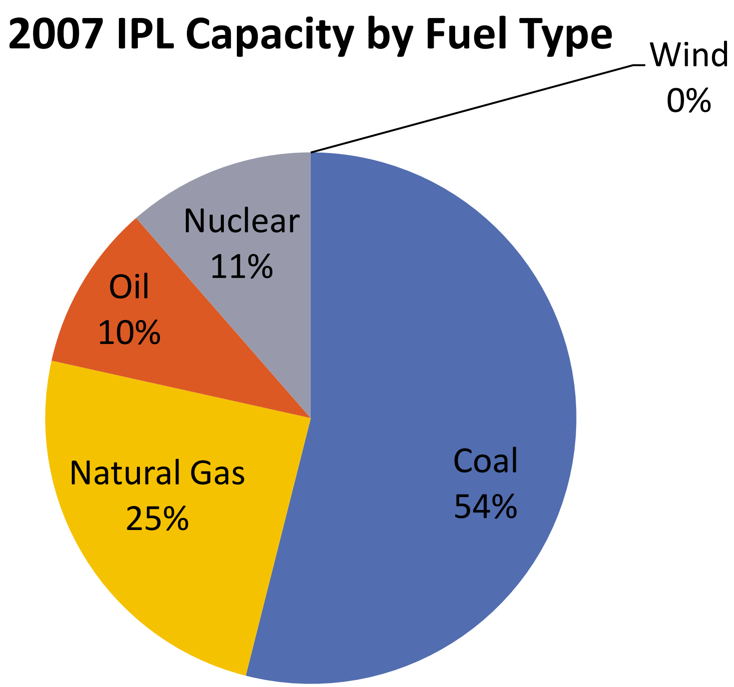
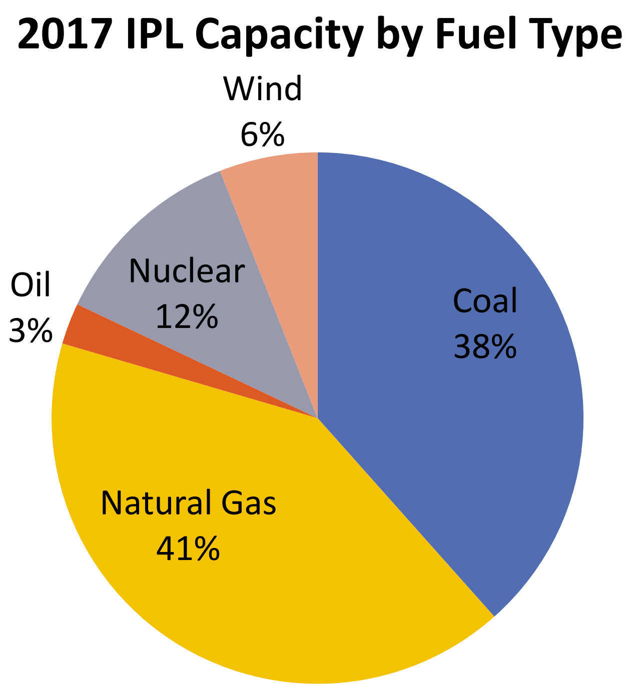
Significant progress has been made in the evolution of the fleet

- Through coal to gas conversions, planned retirements, planned conversions and MGS, our fleet is changing





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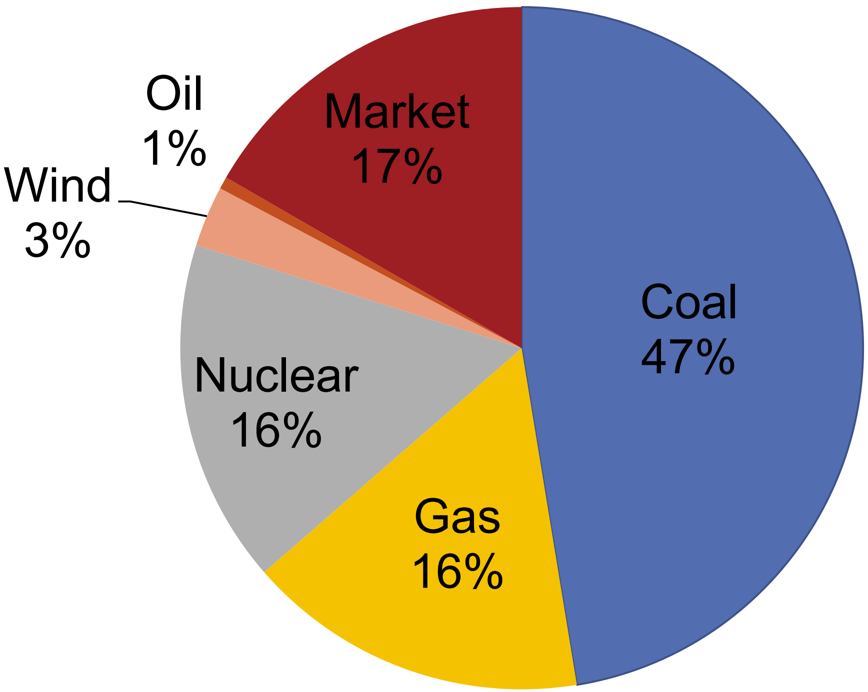
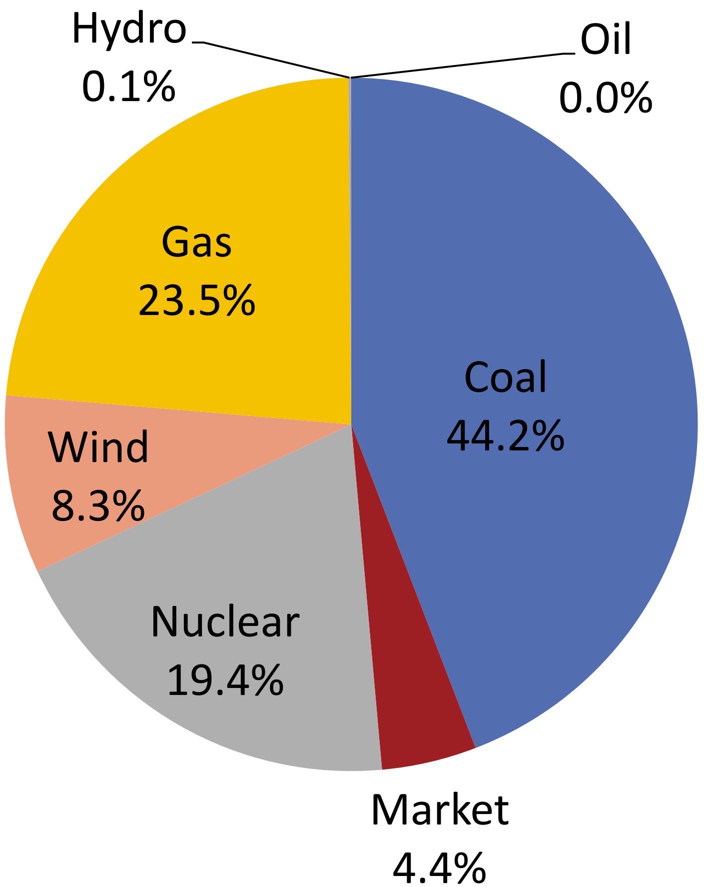
Alliant Energy (IPL) Energy sources 2007 vs. 2017

2007 Generation Energy



2017 Generation Energy (2014 IRP)



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Service Improvements/ Benefits Achieved

- We are reducing costs/mitigating increases
  - Base rate freeze 2010-2016
  - A lower cost contract with Duane Arnold Energy Center
  - You will continue to see benefits from the Tax Benefit Rider ($380M in credits from 2011-2016)
  - Rate Settlement Adds pricing certainty

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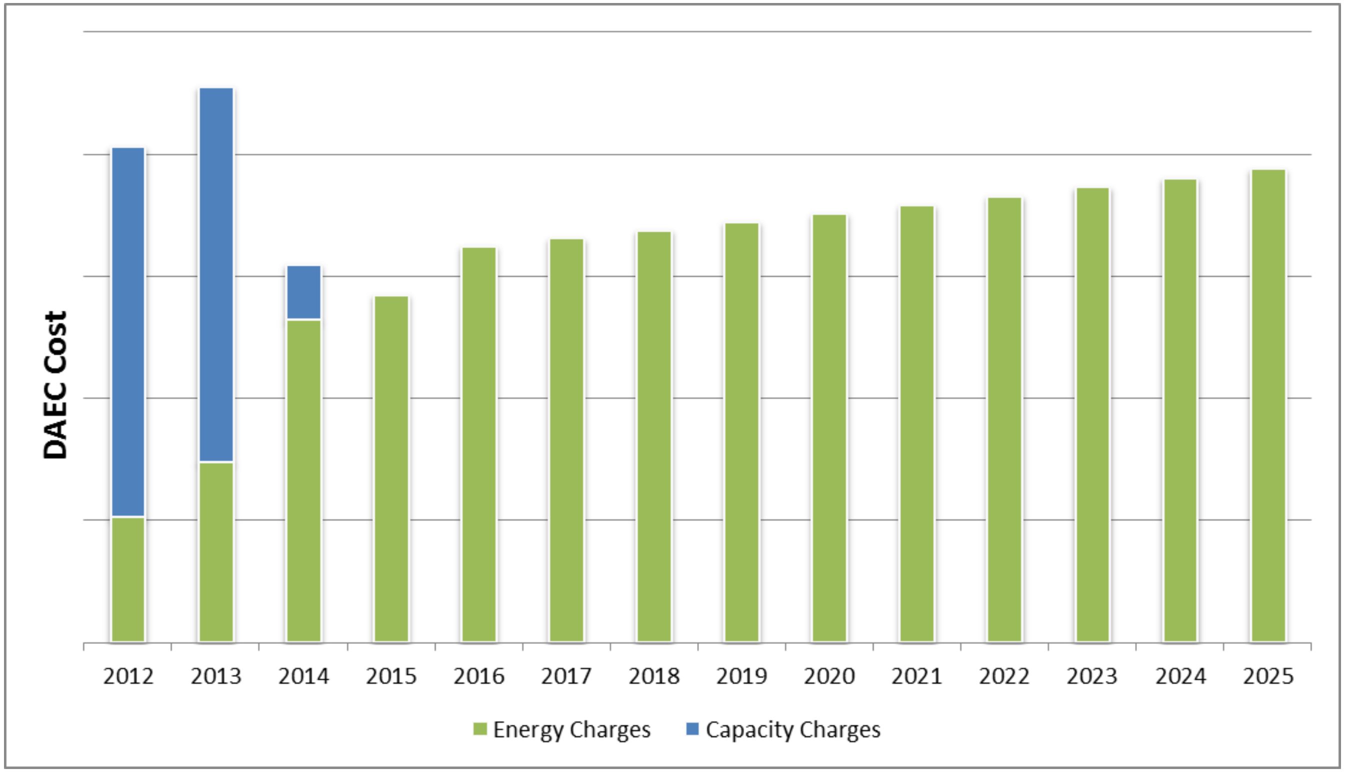
Duane Arnold Energy Center (DAEC) Costs Forecast

- New contract less expensive than current
- Starting in 2014, all DAEC contract cost recovery will be through the EAC



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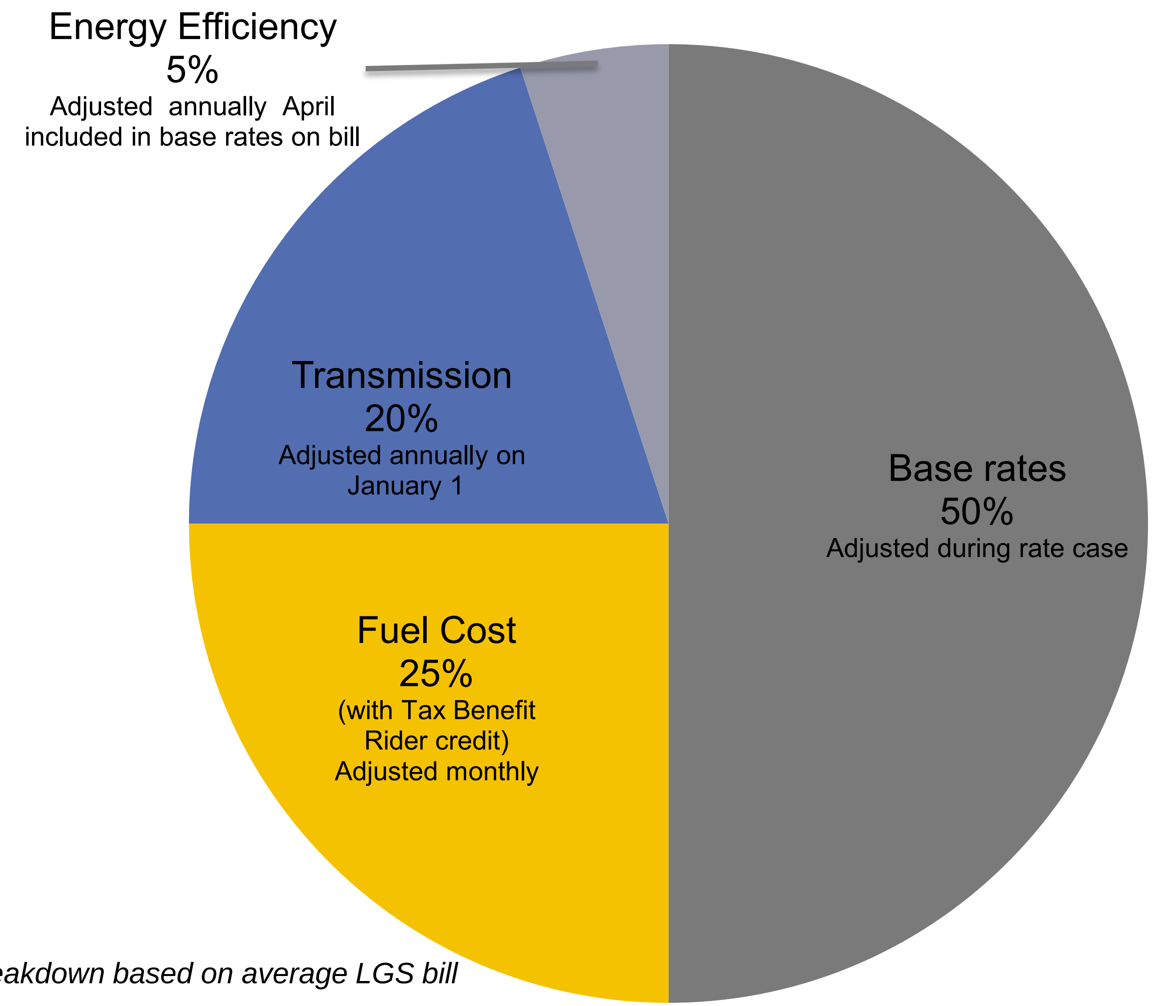
2014 Bill Breakdown



Estimated bill breakdown based on average LGS bill

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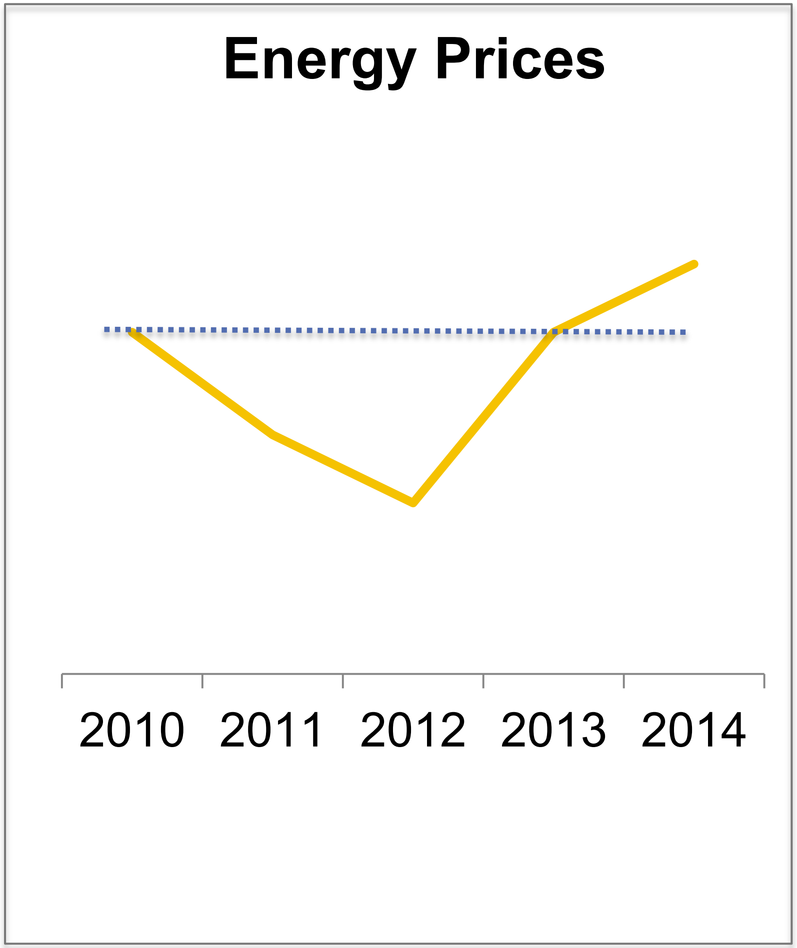
Recent Pricing Activity

- Prices in 2013 similar to 2010
- Base rate freeze since 2011
- Tax Benefit Rider in effect 2011-2016
- Transmission costs change annually
- Ongoing impacts of energy pricing



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Electric Rate Agreement

- Unanimous settlement with OCA, ICC and LEG filed with IUB on March 25
- Settlement highlights
  - Extend Iowa electric base rate freeze for 3 years
  - Implement customer credits paid over 3 years
  - Credit allocation based on cost of service, not kWh
  - Unique Energy Adjustment Clause (EAC) factors for each customer class for 3 years
  - Transmission rider will continue
- No rate case required
- Agreement requires IUB approval
  - Settlement billing credits implemented in May in advance of IUB decision

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Bill Credits / Refunds

- Rate Settlement Credit
  - Total credits of $105 million (2014-1016)
  - $70 million in May through December 2014
  - $25M credit in 2015, $10M credit in 2016
  - Factored into EAC
- Tax Benefit Rider
  - Total credits of $380M (2011-2016)
  - Refunds of $70M in 2014 ($60M in 2015 and $50M in 2016)
  - Factored into EAC

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Fuel Cost/EAC

- Reflects: Fuel Costs minus credits for TBR and Settlement Customer Credit

LGS data, Cost per kWh

EAC	2010	2011	2012	2013	2014 (Forecast)	2015 (Hypothetical)	2016 (Hypothetical)
Fuel Cost TBR (credit) Customer credit	$0.0245 N/A N/A	$0.02307 ($0.00504) N/A	$0.02073 ($0.00568) N/A	$0.02323 ($0.00386) N/A	$0.027-0.028 ($0.00477) ($0.00330)*	$0.028-0.030 ($0.00406) ($0.00100)	$0.030-0.032 ($0.00335) ($0.00025)
Final EAC for billing purposes	$0.0245	$0.01803	$0.01505	$0.01937	$0.019-0.020	$0.023-0.025	$0.026-0.028

*Annualized credit – actual credit is ($0.00495) for May to December, 2014

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Budgeting Guidelines vs. prior yr

Bill Component	Frequency of Change	2014 Bill Impact Before	2014 Bill Impact After	2015 Bill Impact	2016 Bill Impact
Base Rates	Rate Case	No change	No change	No change	No change
Fuel Cost	Monthly Adjustment	6-8%	6-8%	2-4%	2-4%
Transmission	Annual Adjustment	2%	2%	2%	2%
Tax Benefit Rider	Annual Adjustment	-1%	-1%	1%	1%
Customer Credit	Annual Adjustment	N/A	-5%	4%	1%
Energy Efficiency	Annual Adjustment	No change	No change	No change	No change
		7-9%	2-4%	9-11%	6-8%

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What’s ahead through 2017

- Marshalltown Generating Station
  - Part of fleet transition
  - Balance needs/requirements
  - 650 MW natural gas plant
  - Approved by IUB / Ratemaking principles
- Plan for rate case in 2017

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How pricing happens - numbers

Taxes

Expenses

Asset Depreciation

Return on Rate Base

Annual Revenue Requirement

Residential Rates

Commercial Rates

Industrial Rates

Lighting Rates

Bulk Rates

Revenue Requirement = (Investment x ROR) + Expenses

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Key Takeaways

- Generating fleet transition
- Lower emissions
- 2013 Prices similar to 2010
- Rate Settlement extends base rate freeze
  - Billing Credits began in May
  - Still await IUB approval
- 2014-2016 forecasts – individual impacts will vary
- Next Rate Case in 2017

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Questions?

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Energy Markets Overview

Martin Smith, P.E.
Sr. Energy Market Consultant
Energy Market Operations
Alliant Energy

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Discussion Topics

- Midcontinent Independent System Operator, MISO
- Energy Market Basics
  - Locational Marginal Pricing
  - Transmission Congestion Costs
- Market Benefits from Transmission Improvements

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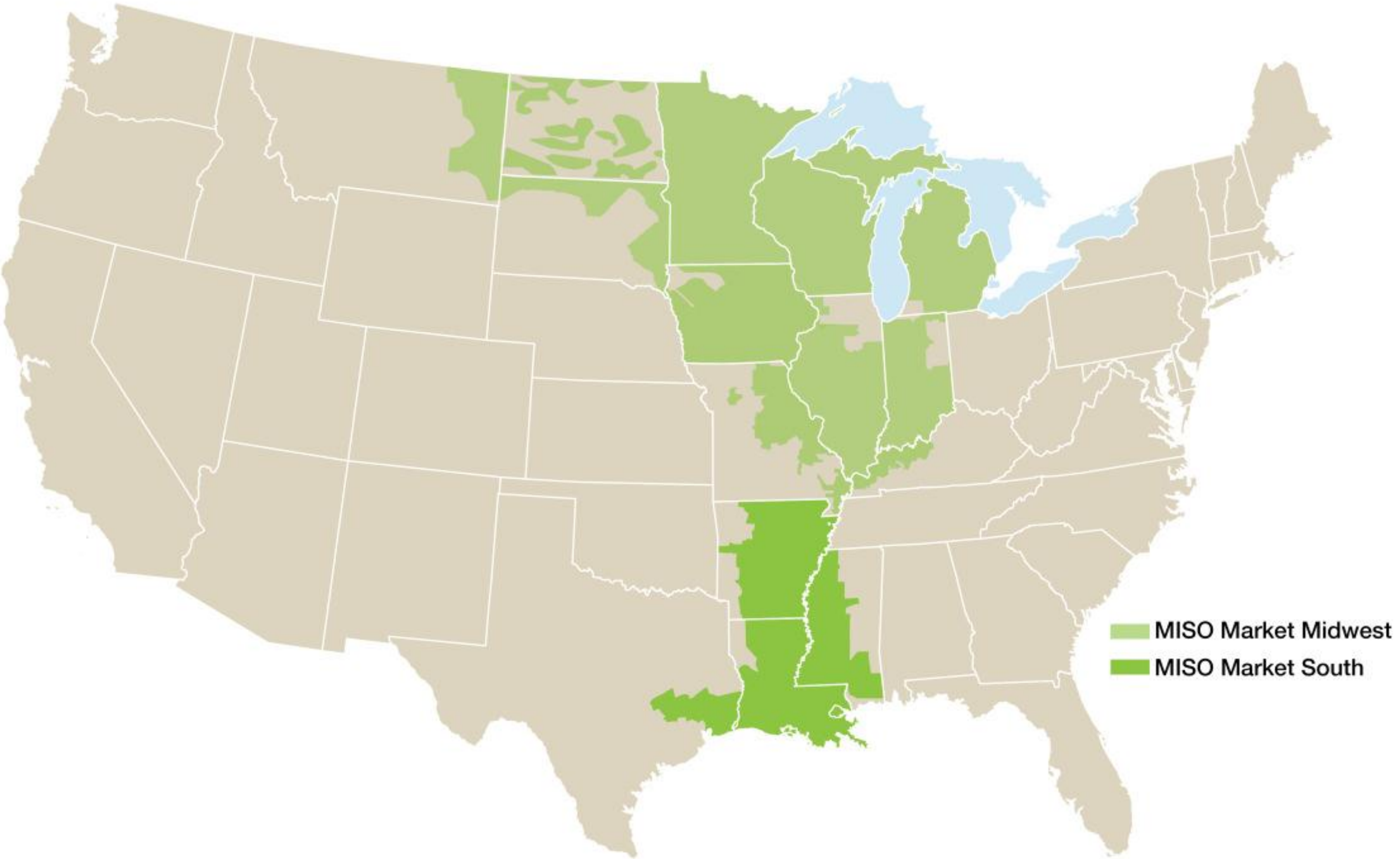
MISO



Effective December 19, 2013

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MISO

- MISO: Midcontinent Independent System Operator
  - Independent System Operator:
    - Clearing house that creates a competitive market for the buying and selling of energy
    - Exists around the country: NYISO, CAISO, PJM
    - Not-for-profit, member-based organization
- Provides customers
  - Transparent prices
  - Open access to markets
  - Planning for long-term efficiency
- Alliant Energy joined the MISO energy market when it opened April 1, 2005
  - Alliant Energy is a Transmission Dependent Utility member
  - ITC Midwest is a Transmission Owner member

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MISO

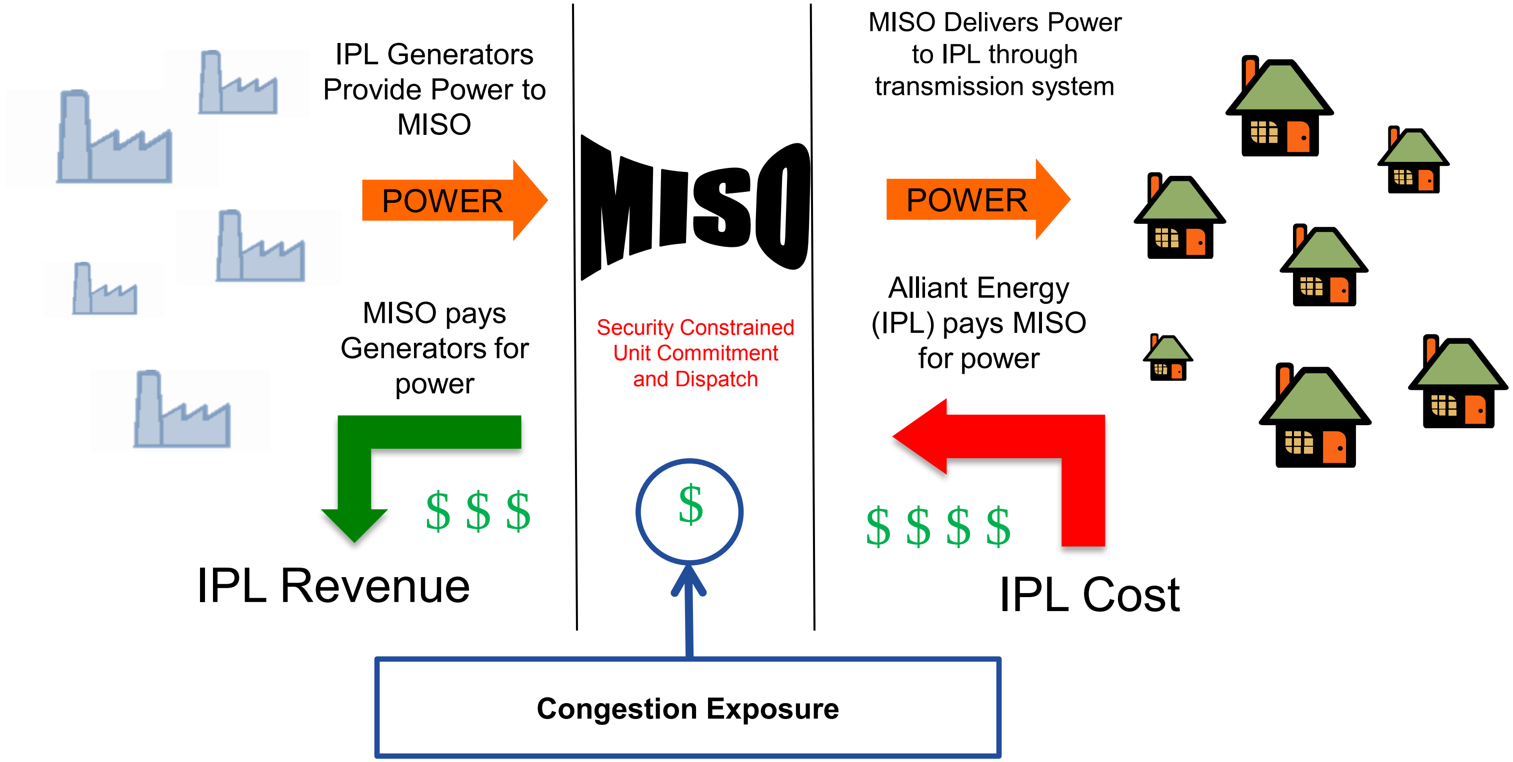
- Runs a Competitive Energy Market (Today's Focus)
  - Generation competes on price to supply load
  - Market dispatch respects transmission limitations to maintain reliability
- Ensures non-discriminatory access to the transmission system
- Performs Transmission and Resource Planning
  - Transmission Expansion Planning (MTEP)
    - Multi-Value Projects (MVPs)
    - Market Efficiency Projects (MEPs)
    - Reliability Projects
  - Generator Interconnection Studies
  - Resource Adequacy
    - Ensures there are sufficient capacity reserve margins
    - Runs a voluntary annual capacity auction
  - Seasonal Assessments
    - Review projected demand and resources for the MISO footprint and assess adequacies and risks for upcoming seasons
  - Transmission Cost Allocation
- Provides Reliability Assurance
  - Balancing Authority
  - Comply with North American Electric Reliability Corporation (NERC) requirements

Market Basics

- Generators offer to run for a specified price
  - Offer Price Curve (Variable Cost)
- Utilities provide a load forecast to MISO
- MISO economically commits generation to meet the next day load forecast
- MISO then dispatches all generation in real-time to meet actual load while respecting transmission limits
- MISO pays generators for energy produced
- MISO collects from Load Serving Entities (LSE), like IPL for energy consumed

MISO Energy Pricing

- MISO is the clearing house for energy and dollars



- Typically, MISO pays generators less than it collects from load
- The majority of this mismatch of dollars is caused by congestion

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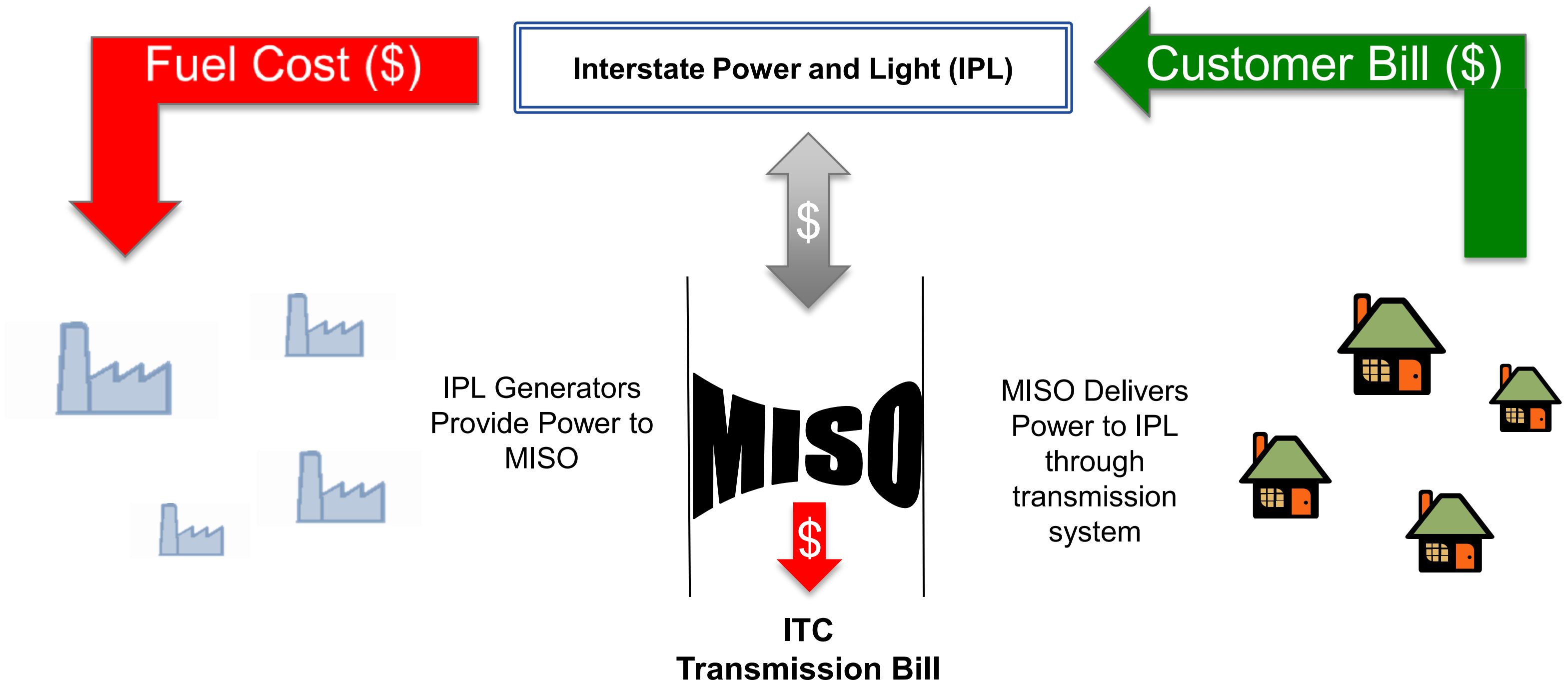
Billing

- IPL bills customers for energy cost, and ITC transmission costs



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Market Pricing

- MISO calculates a Locational Marginal Price (LMP) for energy

  Locational

  - Generally, there is a different price at every generator and load within MISO

  Marginal

  - The price represents the cost of the next MW of power at the location

- The LMP is comprised of 3 components
  – Energy
  – Congestion
  – Loss
- The LMP provides the price signal to generation to produce the most economic dispatch to serve load

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Examples

- A utility owns 800 MW of generation to serve approximately 600 MW of load
- Transmission limitations affect what generation can be used to serve the load
- The utility generators get paid, and the load pays, the LMP through the MISO market
- The utility's production cost plus congestion cost accounts for the majority of the total energy supply cost (ignoring losses)

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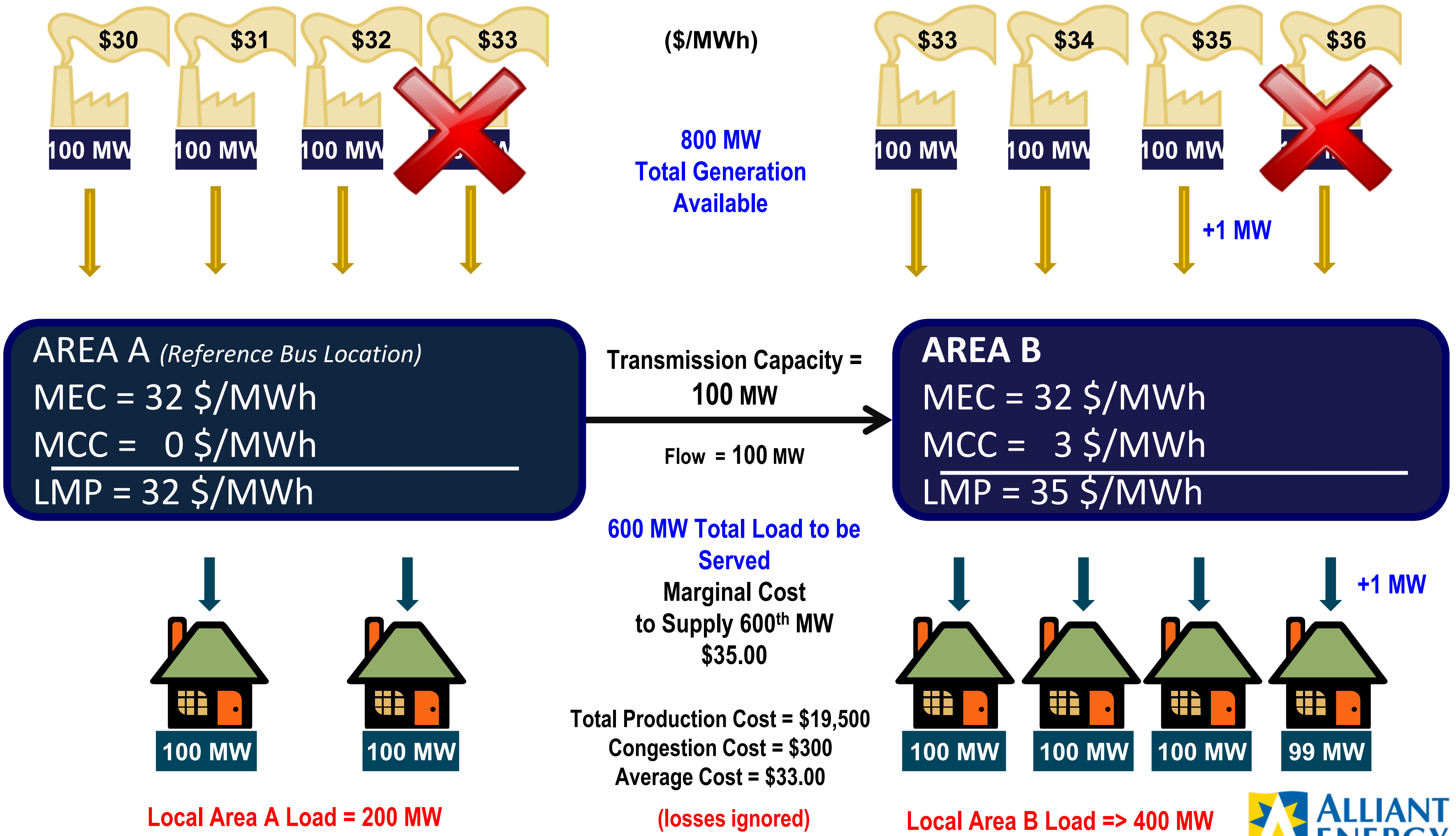
LMP Example #1



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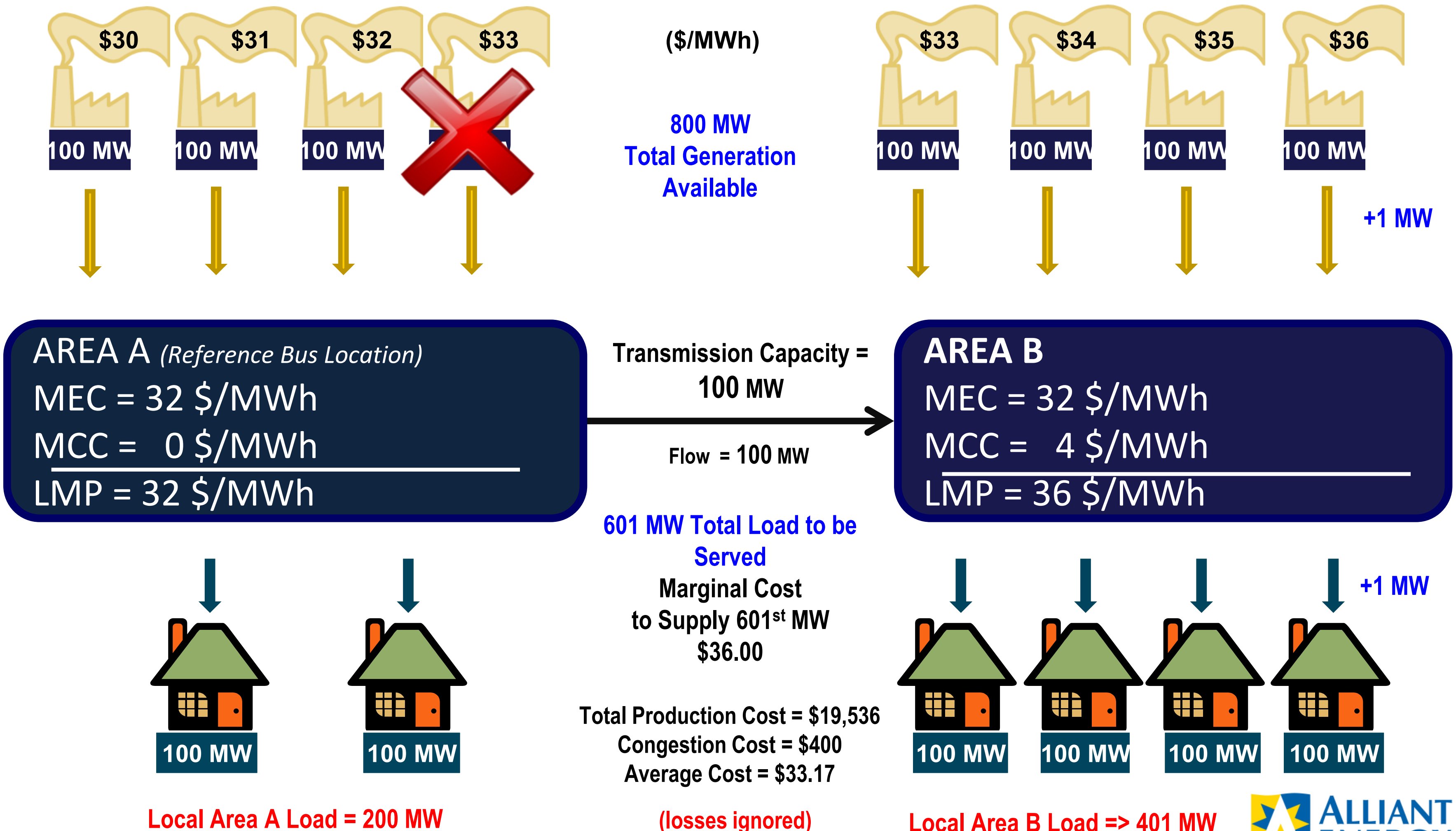
LMP Example #2



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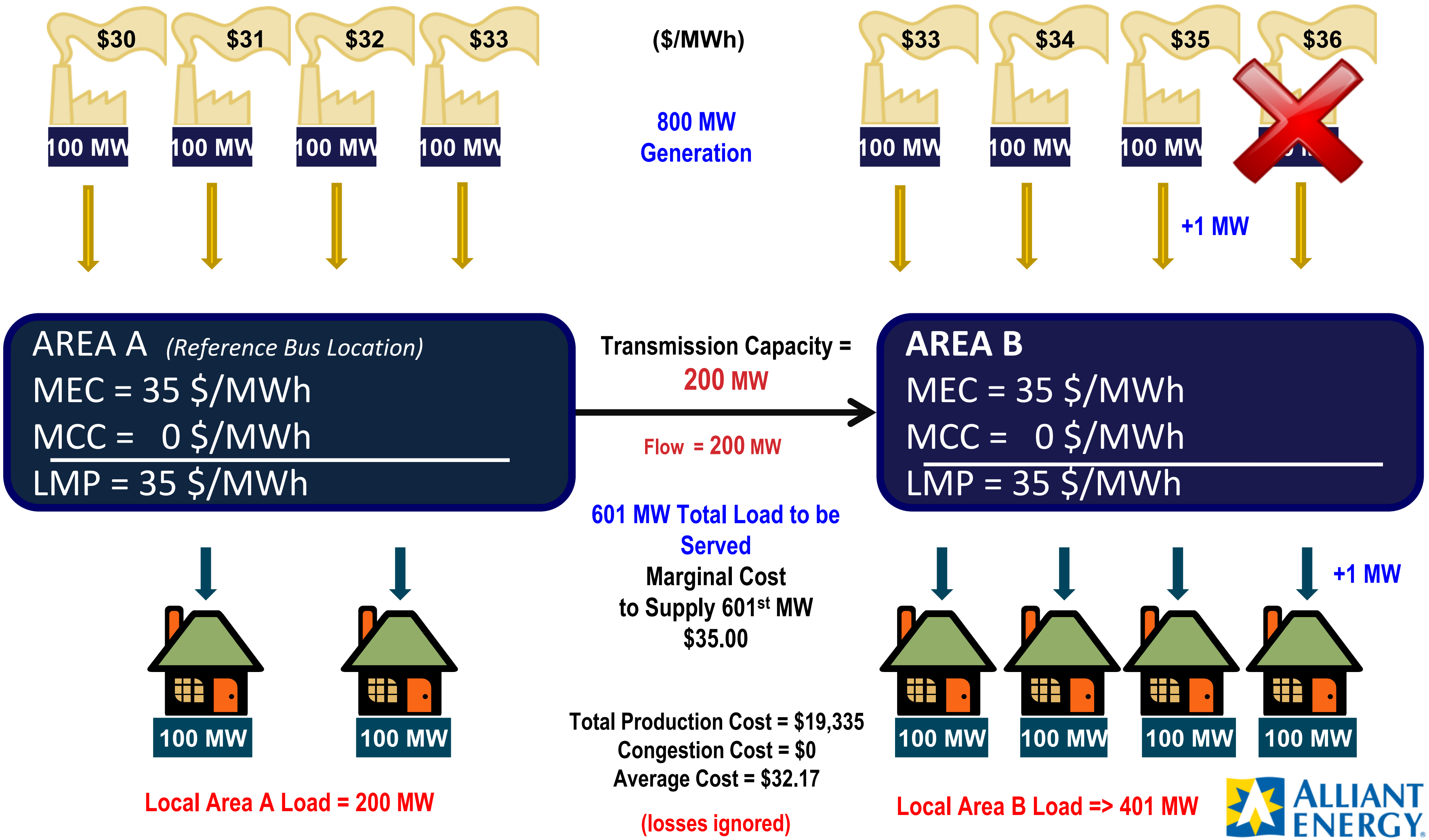
LMP Example #3



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Supply Cost Summary

Ex.	Trans. Cap. (MW)	Load (MW)	Total Prod. Cost	Total Cong. Cost	Total Energy Cost	Ave. Prod. Cost	Cost Difference
1	100	600	$19,500	$300	$19,800	$33.00	
2	100	601	$19,536	$400	$19,936	$33.17	$136
3	200	601	$19,335	$0	$19,335	$32.17	($601)

Transmission limitations can affect both production cost and congestion costs

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Congestion Cost Exposure

- Congestion occurs when the lowest cost economic dispatch of generation would exceed transmission line limits
- In order not to exceed transmission limits, generation must by dispatched less economically
  - Could not fully dispatch the $33 unit in Area A (previous slide)
- The congestion component of the LMP modifies the price signal to generation to produce the most economic dispatch given the transmission limits
- Causes of Congestion:
  - Insufficient transmission to allow optimal economic dispatch
  - Transmission lines or generators in outage
  - Transmission lines needing upgrades

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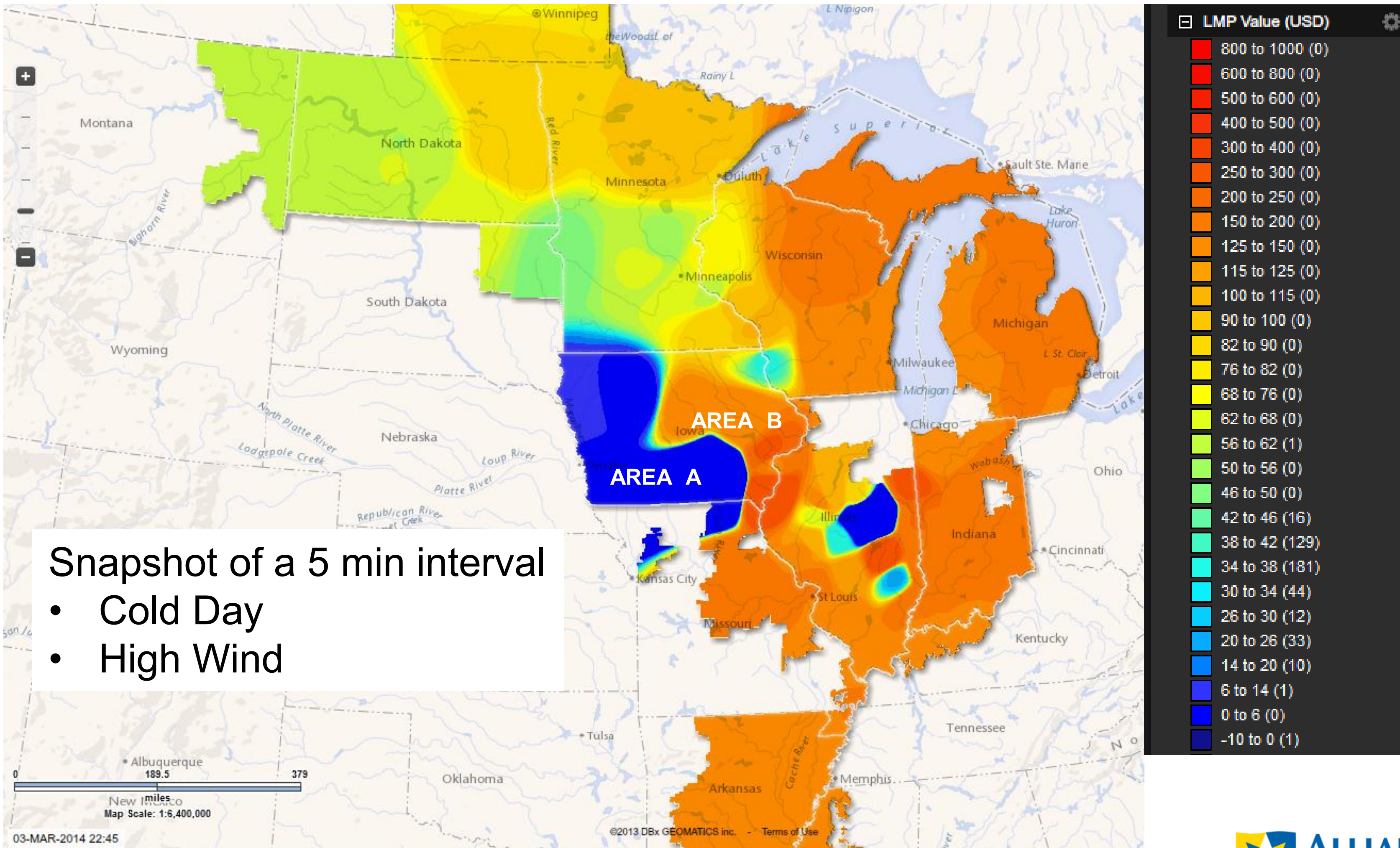
LMP Price Map (3-3-14)



Snapshot of a 5 min interval

- Cold Day
- High Wind

https://www.misoenergy.org/LMPContourMap/MISO_All.html

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Transmission Planning

- Transmission planners, both ITC and MISO, consider many factors when evaluating potential projects
  - Reliability
  - Economic Benefit
  - Policy Drivers
- The MISO Tariff specifies that an economic project's benefit will be measured by the reduction in Adjusted Production Cost achieved by the project under each of the defined future scenarios
- Economic (Market Efficiency) projects must pass a 1.25 benefit-to-cost (B/C) ratio threshold
  - Adjusted production cost is equal to the total production cost of the generation fleet adjusted for import costs and export revenue
  - Present value of benefits and costs calculated over the first 20 years after in-service date

Transmission Market Benefits

- Allows for a lower total dispatch cost of generation
  - Lower production cost all else being equal
  - Many factors drive production cost
    - Fuel Cost, Load Growth, Unit Retirements, Environmental Regulations, Inflation, etc.
- Allows for more generators to compete to serve a specific load
  - Increases competition
- Allows low energy cost resources like wind to supply load
  - When wind is limited it is replaced at a higher energy price
- Reduces the congestion cost to which load is exposed
- Reduces transmission losses
  - Fewer losses = less generation needed
- Provides an insurance benefit
  - Smaller price impact from unexpected problems and changing resource mix

Questions?

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Interstate Power and Light

Transmission Policy / Regulatory Update

Eric Guelker
Director – Regional & Federal Policy
Alliant Energy

Transmission Policy

<u>Federal Energy Regulatory Commission (FERC)</u>

Primary regulatory agency that *develops and oversees* transmission policy

<u>Midcontinent Independent System Operator (MISO)</u>

Primary transmission provider and organization (for IPL) that *implements* transmission policy

<u>ITC Midwest</u>

Primary transmission owner in IPL service territory that works in conjunction with IPL and MISO to implement transmission policy

Key Aspects of Transmission Policy
Federal & state energy policy objectives
Regional transmission planning & projects
Transmission infrastructure development & modernization
Transmission costs & cost allocation

IPL has and will continue to engage in transmission policy to advocate for IPL customers with ITC Midwest, MISO and FERC.

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Transmission Policy Key Issues

- MISO Transmission Formula Rate Protocol Changes
- ITC Midwest Attachment FF
- Transmission Return on Equity (ROE) Challenges
  - MISO ROE Complaint
- MISO Multi-Value Projects (MVPs)

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MISO Transmission Formula Rates

Protocol Changes (EL12-35)

May 2012: FERC opened investigation	• Areas of concern included: scope of participation, transparency of information and ability to challenge
June 2012: IPL filed comments	• Supported investigation and suggested improvements in areas of concern
May 2013: FERC issued order	• Stated formula rate protocols insufficient and identified needed changes
September 2013: MISO and TOs filed changes	• Included timelines for information exchange & challenges and providing information needed to replicate calculations • Annual filings to demonstrate rate accuracy & correctness
October 2013: AECS filed comments	• Generally supported changes • Advocated changes should be applied to <u>projected</u> rates, not only after-the-fact rate true-ups
March 2014: FERC issued order	• Order agreed that changes should be applied to <u>projected</u> rates, not only after-the-fact rate true-ups
May 2014: MISO and TOs filed additional changes	• Included how to apply changes to <u>projected</u> rates

Next Steps: FERC issues order on filed changes

Impact: TBD

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ITC Midwest Attachment FF (EL12-104)

September 2012: IPL filed complaint against ITCM	• Requested Attachment FF change to ***require generators to pay transmission network upgrade costs*** • Existing approach different & more costly to IPL customers
October 2012: Stakeholders filed comments	• Many stakeholders including OCA, ICC, MPUC and MDOC supported IPL's complaint
July 2013: FERC issued order granting IPL's complaint	• Ruled change would apply to generator interconnection agreements (GIAs) executed or filed after date of order • GIA amendments to be addressed on case-by-case basis
August 2013: IPL and ITCM file rehearing/clarification requests	• IPL and ITCM requested FERC clarify transition from "old" to "new" approach; don't address case-by-case • ITCM also requested FERC to reconsider its decision
September 2013: FERC granted rehearing request	• FERC needs more time to review -- doesn't imply FERC will or will not change its decision • Attachment FF changes per July order are effective
February 2014: FERC denied rehearing and granted and denied in part clarification requests	• Ruled future amendments to GIAs that are provisional as of date of July order will use "new" approach • Amendments to other GIAs to be addressed on case-by-case basis
March 2014: NextEra filed rehearing request	• Argues that provisional GIAs not amended prior to July order because of delays by MISO should use "old" approach
April 2014: FERC granted rehearing request	• FERC needs more time to review -- doesn't imply FERC will or will not change its decision

Next Steps: FERC issues order on rehearing request

Impact: Est. $140 million IPL customer cost savings from 2012-2016

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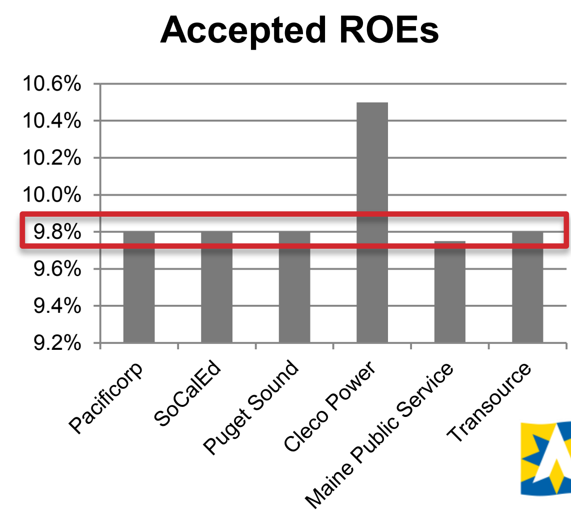
Transmission ROE Challenges

Pending FERC Complaints		
Utilities	Current ROE	Requested ROE
ISO-New England TOs	11.14%	9.2%[1] 8.7%[1]
Florida Power	10.8%	9.02% 8.63%
Southwestern PSC	11.27%	9.65%
PSC of Colorado	10.25%	9.15% 9.04%
Niagara Mohawk Power	11.5%	9.49% 9.25% 9.36%
BG&E, Pepco, Delmarva, Atlantic City	10.8% 11.3%	8.7%
MISO & MISO TOs	12.38%	9.15%

[1] = FERC ALJ recommended 9.7% in August 2013 decision

- Scrutiny of ROEs has increased
  - Interveners believe ROEs should reflect "new normal" of lower interest rates and costs of capital
- Pending complaints have languished
  - ISO-New England TO original complaint filed 9/30/2011
- ROEs recently accepted by FERC are lower



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MISO ROE Complaint (EL14-12)

- Complaint requests:
  - Reduce ROE from 12.38% to 9.15%
  - Limit equity contributed to capital to no more than 50% for ratemaking purposes
  - Eliminate adders for RTO membership
- ITC Midwest current formula rate includes a 12.38% ROE and a 60% equity contribution
  - Each 1 percentage point change in ROE changes ITC Midwest rate by about 5-6%
  - A 10 percentage point reduction in equity contribution (e.g. from 60 to 50%) reduces ITC Midwest rate by about 9%

IPL and affiliates have intervened in the MISO ROE complaint FERC proceeding to remain informed about FERC and stakeholder-related activity in it.

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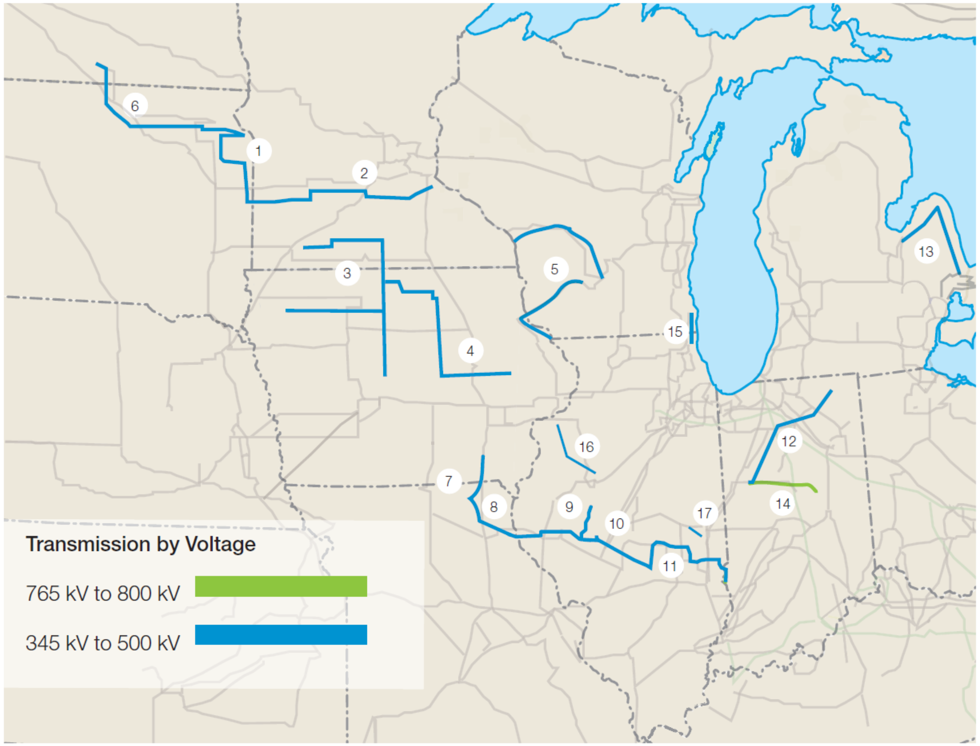
MISO Multi-Value Project (MVP)
Update

- ITCM will own or operate parts of MVP 3, 4, 5 and 7
  - Projects constructed between now and 2020
  - Permitting and regulatory approvals underway

- MVP portfolio costs are allocated to <u>all</u> MISO market participants
  - IPL will pay 2-3% of costs *regardless of who owns MVP projects*
  - IPL projects MVP costs will grow from about 2% to 5% of IPL annual transmission expense during next 10 years

2011 Multi-Value Project Portfolio



As an outcome of the formula rate protocol changes, a joint meeting of all transmission owners and interested parties to discuss regional projects and costs, including MVPs, will occur annually.

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Questions?

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ITC Midwest Update

Doug Collins
President

Mike Gregory
Maintenance Specialist

Upcoming Transmission Activities

- **June 1** – ITC-M posts Attachment O true-up from 2013, to be applied to 2015 rate. IPL analyzes. New MISO Formula Rate Protocols in effect, IPL engagement.
- **June 30** - IPL Semiannual Transmission Report due to IUB.
- **By September 1** – ITC-M meeting to review 2013 true-up.
- **September - October** – ITC-M Attachment O transmission rate for 2015 posted by September 1. IPL analyzes. Preliminary IPL 2015 rate projections for customers. ITCM Partners in Business meetings.
- **By November 1** – Joint TO meeting to review MVP project rate components.
- **November** - IPL reconciles 2013 RTS Factor balance.
- **November or early December** – IPL Transmission Stakeholder meeting.
- **December** - RTS Factors filed with IUB for approval.
- **December 20** – Expiration of prohibition against IPL or affiliate challenge to ITC Midwest initial rates and rate construct..
- **December 31** - IPL Semiannual Transmission Report due to Iowa Utilities Board.
- **January 2015** - RTS Factors in effect.

Additional Transmission Owner dates resulting from new MISO Formula Rate Protocols

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Summary

Alliant Energy has developed, implemented and continues to implement a strategy that incorporates active engagement with ITC Midwest, regional and federal policy to ensure that transmission investments provide value to Alliant Energy customers. As a result, our customers experience increased system reliability, resiliency and increased market access.

Who to contact at Alliant Energy?

- Your Key Account Manager
  - "One Call Does All" – IPL continues to be the main point of contact for our customers for all issues, including transmission service.

Presentation and survey link will be sent to attendees.

Thank you and please travel safely!

Alliant Energy
Interstate Power and Light

Appendix 3

Alliant Energy
Transmission Stakeholders Meeting

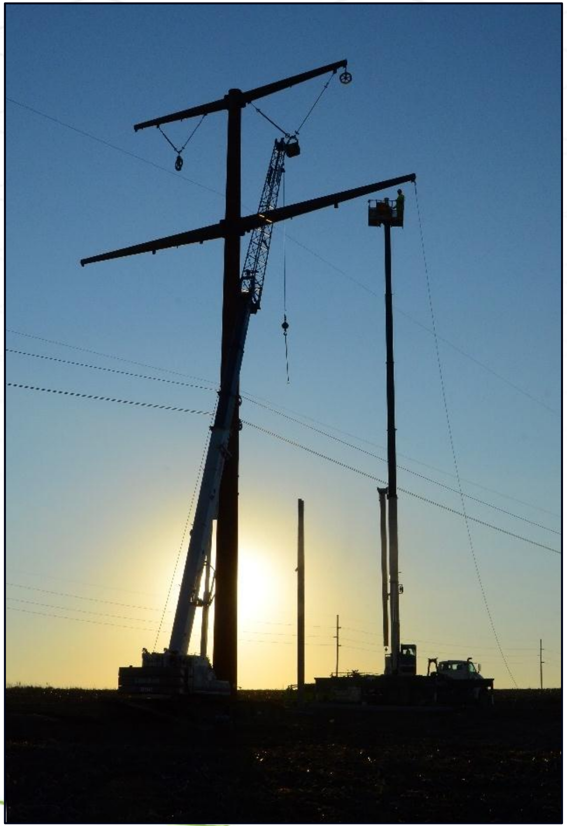
Continuing our Mission

Doug Collins
President, ITC Midwest

Appendix 3

Agenda

- Accomplishments
- Reliability Statistics
- Summer Preparedness
- Regulatory Update
- What's Next



Accomplishments

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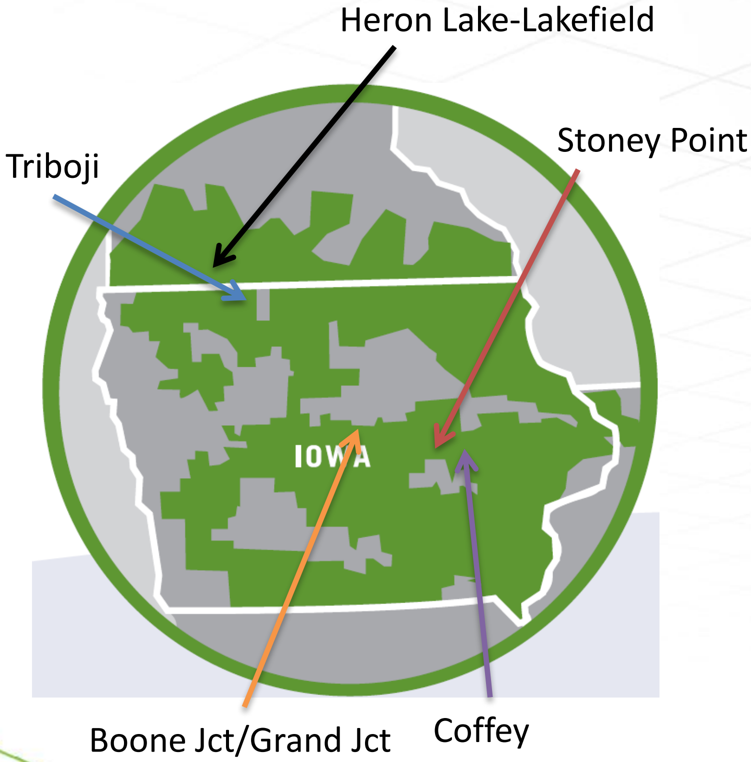
Accomplishments
June 2013 – May 2014



- Stoney Point 115kV Substation Rebuild
- Boone Jct. - Grand Jct. 115kV to 161kV Conversion
- Triboji 161kV Substation Rebuild
- New Coffey 161/115 kV Substation
- Heron Lake-Lakefield Jct 161kV Rebuild

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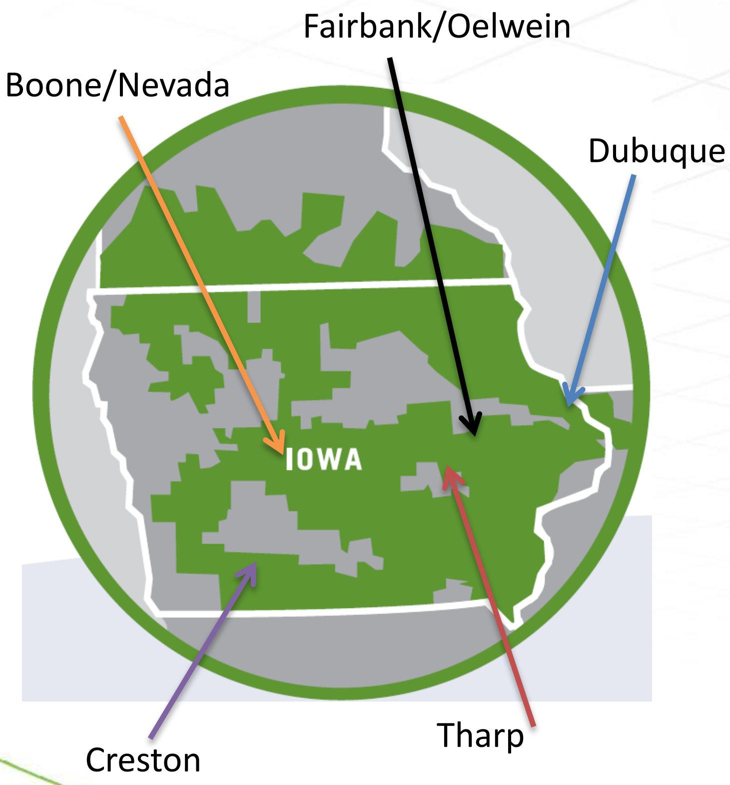
Accomplishments
June 2013 – May 2014



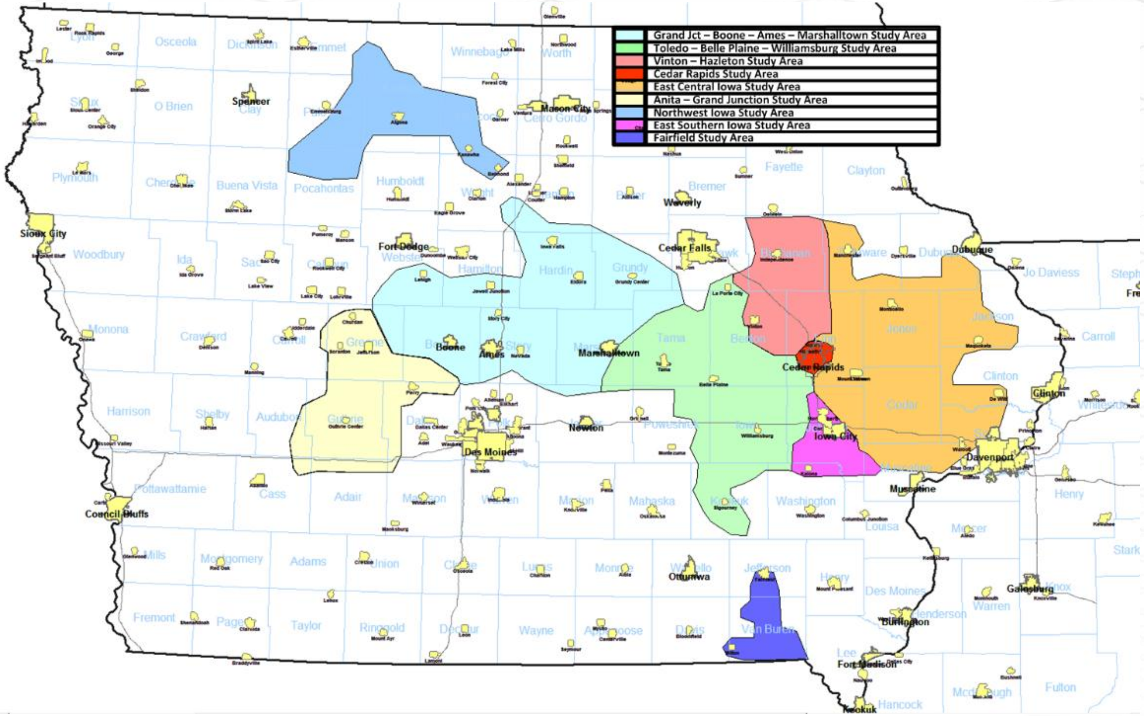
- Dubuque 8th Street Substation Upgrades
- Creston Substation Upgrades
- Fairbank and Oelwein Upgrades
- Tharp 69 kV Switching Station
- Boone Quartz Ave and Nevada Lincoln Highway 69 kV Stations

Accomplishments

34.5kV to 69kV Upgrades

Update

- Six stakeholder groups formed for planning/timing
- Have upgraded/ rebuilt/retired 430 miles of 34.5kV through end of 2013
- Expect to complete 670 additional miles of upgrades by year-end 2019



Appendix 3

Results:
Benefits of Improved Transmission Service

- Reliability and Resource Adequacy Benefits (i.e., reduced planning reserves)
- Production cost savings
  - Congestion and fuel savings
  - Reduced amounts and costs of operating reserves and other ancillary services
  - Reduced transmission line losses
  - Increased wholesale competition and market liquidity
- Reduced cost of meeting public policy objectives
- Reduced emissions of air pollutants
- Storm hardening
- Enhanced generation policy flexibility
- Increased system robustness
- Decreased natural gas risk
- Decreased wind generation volatility
- Local economic activity and job creation

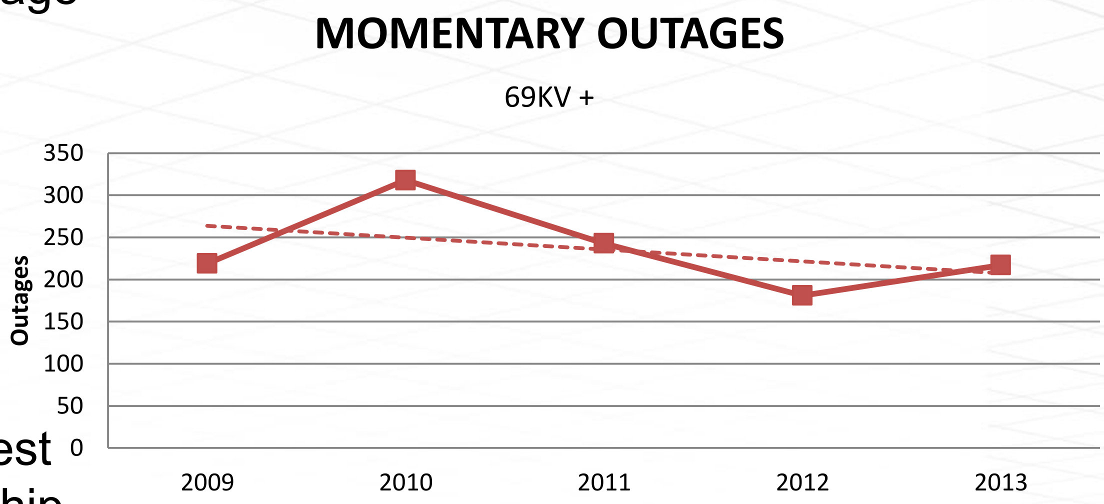
Reliability – Outage Statistics

Appendix 3

Reliability

Five Year Momentary Outage Performance

- In general, the momentary outage trend continues to slope downward.
- There was a slight increase in outages compared to the unseasonable drought conditions during 2012.
- 2013 momentary outage performance is one of the lowest on record during ITC's ownership.

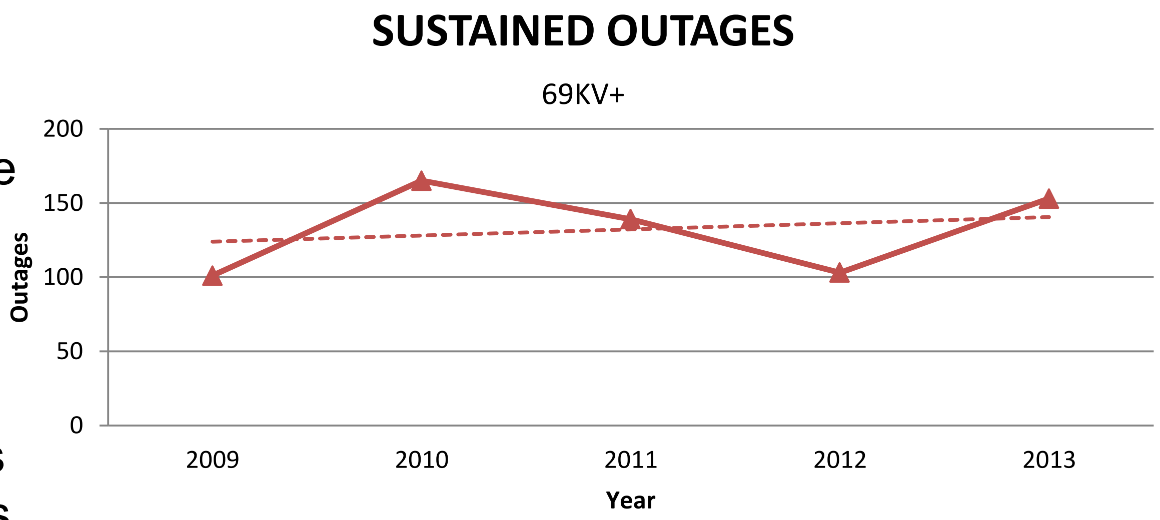


Appendix 3

Reliability

Five Year Sustained Outage Performance

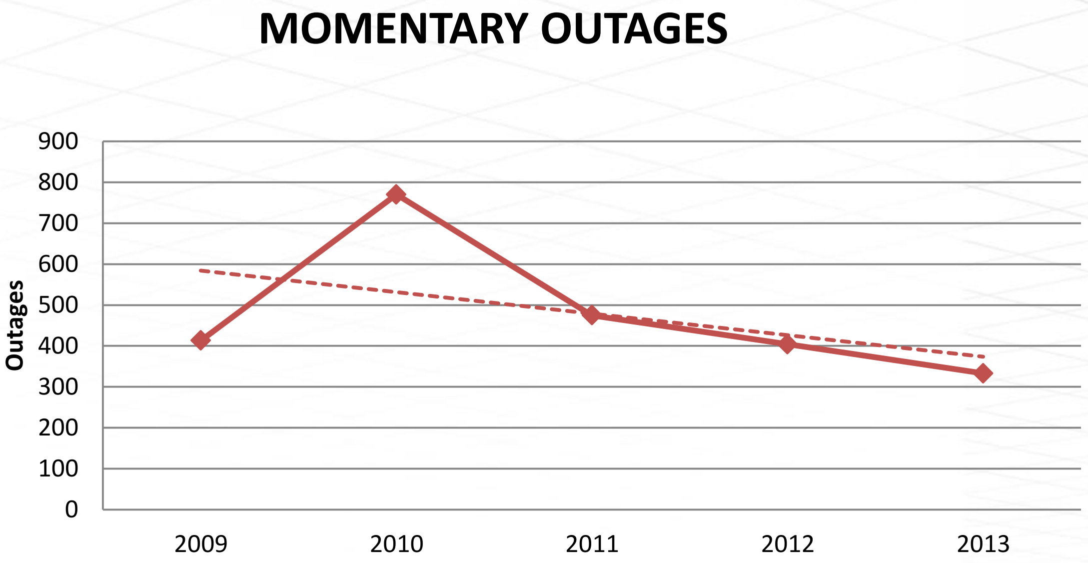
- Abnormal weather during the months of April and May, tornados and winter storm, had an adverse impact on the system.
- 37 sustained outages during April, 36 sustained outages during May
- Typically average 28 outages total during those two months



Reliability

Five Year 34.5 kV Momentary Outage Performance

- There was an increase in momentary outages during the same two-month period over previous years.
- Overall, the 34.5 kV system performance continues to improve.



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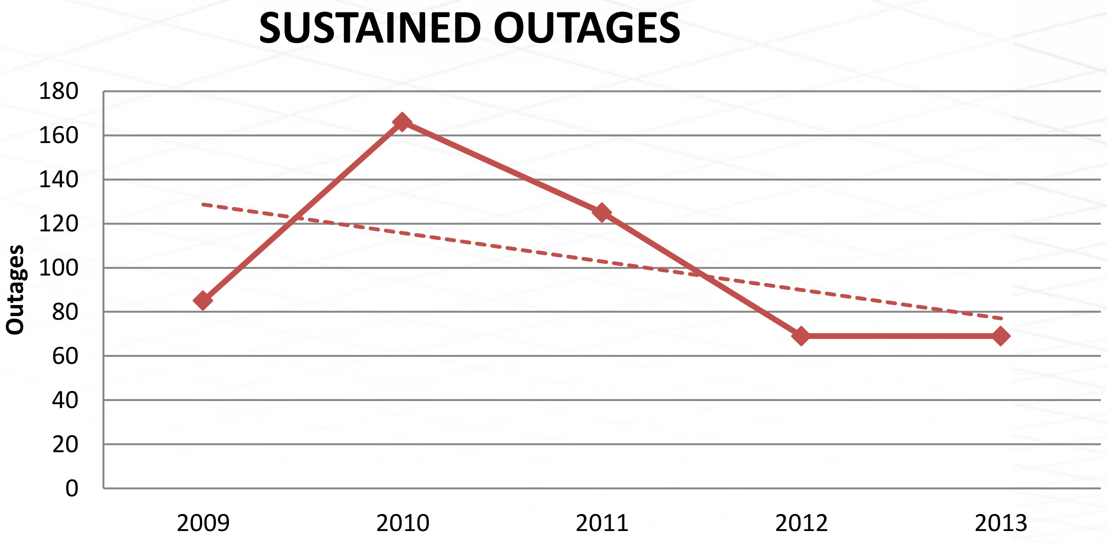
Reliability

Five Year 34.5 kV Sustained Outage Performance

- Sustained outage performance remained constant compared to 2012.
- Monthly Operations department meetings and quarterly reviews of poor performing circuits help to identify issues before they become trends.

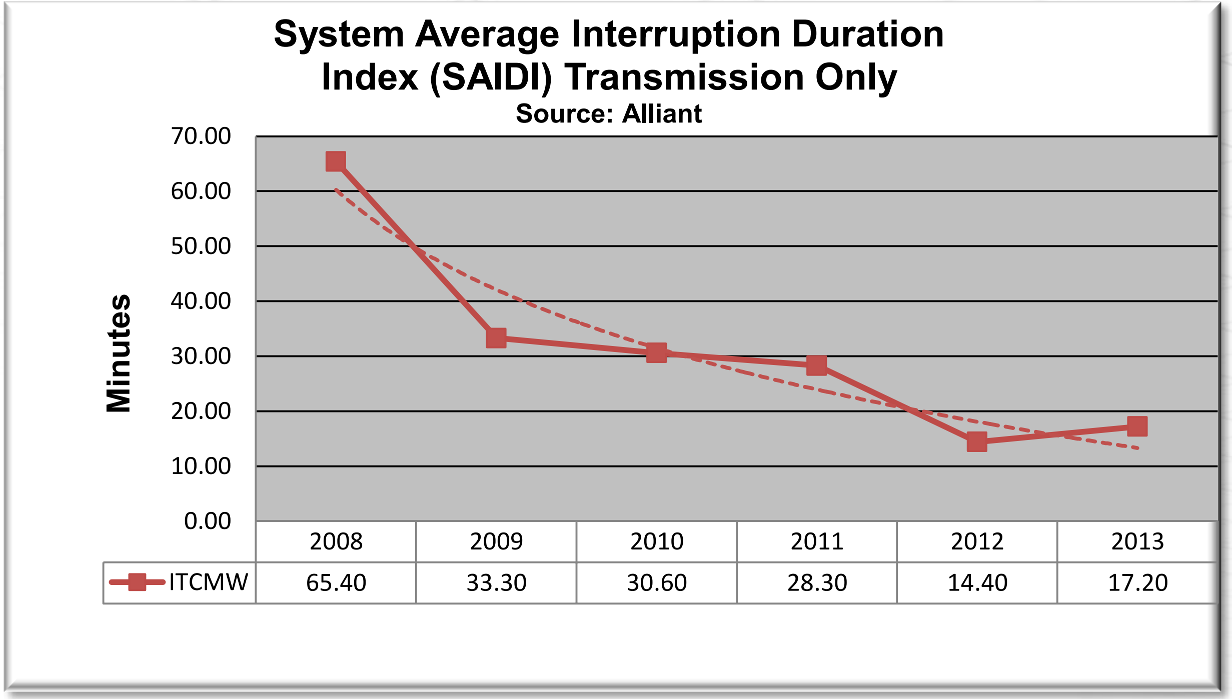


Appendix 3

Reliability

System Average Interruption Duration Index (>= 34.5kV)

- Improvement in customer outage restoration time continues to be an area of significant focus.
- Actions taken to improve restoration times:
  - Coordination with Alliant
  - Additional staffing in ITC control room
  - Additional ULC field crews

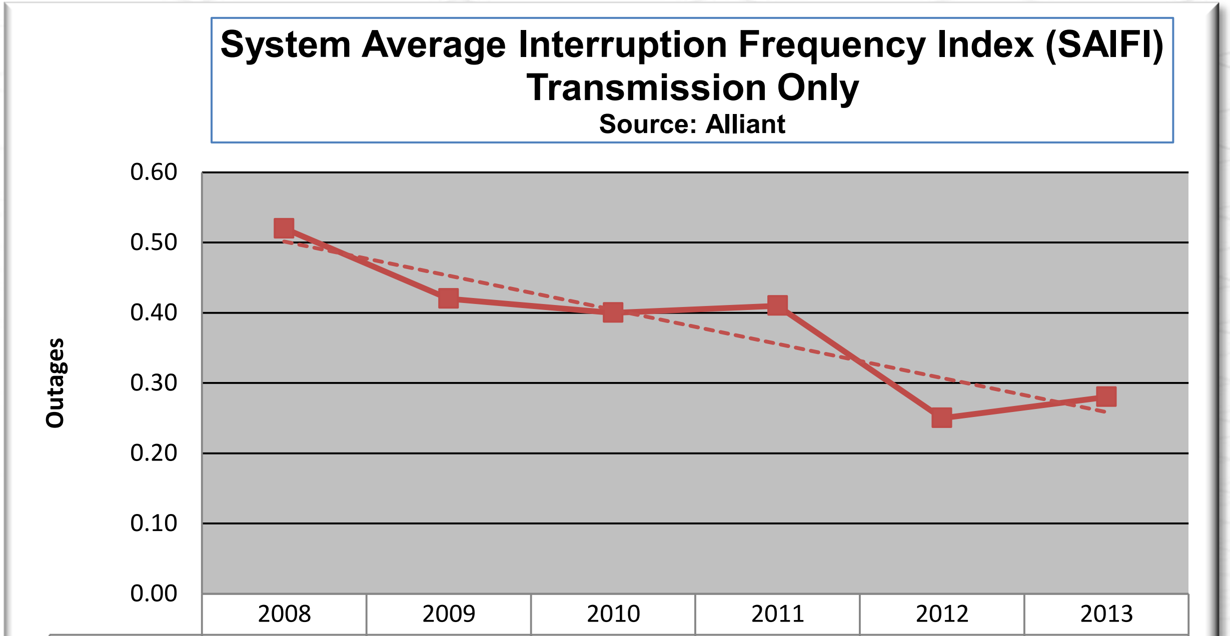


Appendix 3

Reliability

System Average Interruption Frequency Index (>= 34.5kV)

- Lower voltages and radial lines mean more exposure to customer outages
- Actions taken to improve and maintain SAIFI performance include:
  - Maintenance and Capital projects
  - Identifying and tracking poor performers



	2008	2009	2010	2011	2012	2013
ITCMW	0.52	0.42	0.40	0.41	0.25	0.28

Summer Readiness

Summer Assessments

- ITC participated in various regional assessments, including MRO 2014 Summer Assessment and MISO 2014 Coordinated Summer Assessment
- ITC performed its own individual system assessments
- Not anticipating any problems meeting the needs of load serving entities in Southern Minnesota or Iowa for summer purchases that must be transported into and/or across the ITCMW system to meet summer 2014 demand
- The ITCMW system is expected to perform well for a wide range of operating conditions

Summer Preparedness

- In addition to our normal preventive maintenance, ITC performs summer readiness activities to get ready for peak load conditions:
  - Equipment inspections in substations, transformers, capacitors
  - Aerial inspection of lines
  - Operation Engineering Summer Assessment presentation and training class to all ITC system operators
  - Summer Readiness coordination meetings with LDCs, neighboring utilities and Regional Reliability Committees.
  - Review emergency procedures
  - Implementation of summer work restriction policy

Summary

- With the system improvement projects in place since last summer and progress on maintenance plan up to date, ITCMW is expected:
  - To meet summer peak demands
  - Perform well for a wide range of operating conditions
- ITC continues to work to achieve and maintain **Operational Excellence** to provide you with best in class service and reliability

ITC

Regulatory Update

Appendix 3

Recent Regulatory Developments (FERC & MISO)

FERC Issues Order on Rehearing, Clarification and Compliance Filing for ITC Midwest's Generator Interconnection Policy (EL12-104)

- FERC denied ITC's request for rehearing, and provided the following clarifications:
  - Upgrades identified in provisional GIAs either executed or filed unexecuted before July 18, 2013 use the policy in effect prior to that date (old FF provisions).
  - Any upgrades subsequently identified are under the MISO default policy.
  - Amendments to non-provisional GIAs after July 18 will to be addressed on a case by case basis.
  - Under the MISO default policy, ITC Midwest intends to fund future Network Upgrades and collect a charge from the generator to recover the return on and of the initial capital cost, pursuant to existing provisions in the MISO tariff.
- NextEra filed for rehearing, pending at FERC, claiming this order would penalize interconnection customers under provisional GIAs for delays resulting from MISO's failure to timely process interconnection studies and amend GIAs.

Recent Regulatory Developments (FERC & MISO)

SPP Complaint against MISO for a Unexecuted Non-Firm Point-to-Point Transmission Service Agreement (EL14-1174)

- SPP wants to be properly compensated by MISO for use of their transmission system
- ITC's answer was neutral but commented that underlying causes would be best addressed through the construction of increased transmission capacity between constrained regions and more comprehensive interregional transmission planning and coordination.
- MISO has filed a similar counter-complaint against SPP but has since limited transactions on the contract path to 1,000 MW.
- FERC has established hearing and settlement procedures.

Recent Regulatory Developments (FERC & MISO)

ROE Complaint (EL14-12)

- An industrial group filed a complaint against the current base ROE within MISO. The complainants are seeking to:
  - Reduce the 12.38% base return on equity for the MISO transmission owners' rates to 9.15%;
  - Institute a capital structure in which the assumed equity component does not exceed 50%;
  - Eliminate adders for RTO membership.
- The MISO TOs including ITC filed a motion to dismiss:
  - The complainants haven't met the burden of proof
  - The complainants' DCF analysis and affidavit have fundamental flaws
  - The current 12.38% base ROE is well within the bounds of a properly developed zone of reasonableness
  - Capital structure and incentives arguments have no support
- The case is pending at FERC.

Recent Regulatory Developments (FERC & MISO)

FERC Ordered NERC to develop standards to address the Bulk Power System's physical security risks (RD14-6)

- ITC supported FERC's directive and stated certain factors that should be taken into consideration in order to develop truly effective standards to protect the grid from physical attacks:
  - A robust grid is the best line of defense against physical attacks and other events
  - Development of these standards must be coordinated with existing physical and cyber security policies
  - Physical security requirements can enhance existing transmission planning standards for bulk-power system facilities
  - FERC should clearly state that verification of risk assessments and security plans establish compliance with these standards
  - The Commission should consider assigning responsibility for the Spare Transformer Equipment Program to NERC
- NERC must submit proposed standards to FERC by June 5

What's Next?

Appendix 3

What's Next?

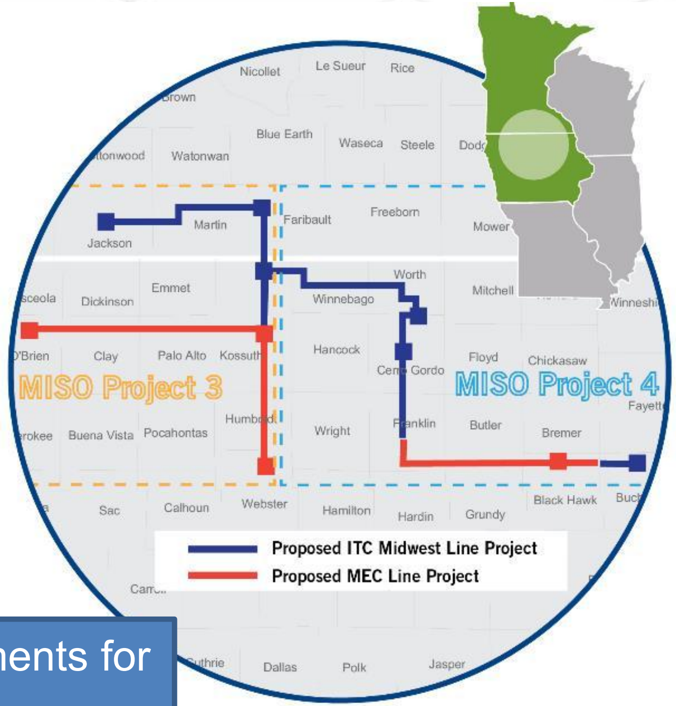
MVPs – 345kV Projects 3 and 4

Project 3:

- Joint ITC/MidAmerican Energy Company (MEC) Project
- ~145 miles in Iowa
- ~70 miles in MN

Project 4:

- Joint ITC/MEC Project
- ~190 miles in Iowa



ITC Midwest has filed franchise amendments for all of the five lines in Iowa and is in the regulatory process for the line in Minnesota.

What's Next?

- Need to be prepared for whatever comes our way
- Recent history shows new issues continue to arise
  - NERC Alerts
  - Wind Interconnections
  - Generation Changes
  - Physical and Cyber Security

What's Next?

NERC Work

North American Electric Reliability Corp.

- Provides assurance to public, industry and govt. for the reliable performance of the Bulk Power System (BPS)
- All BPS owners, operators, and users must comply with NERC-approved Reliability Standards or face sanctions

ITC Midwest NERC Alert Status

- 2,040 miles total
- High Priority - Complete
- Medium Priority - 2/3rd complete
- ITC to complete all priorities by end of 2015

Appendix 3

What's Next?

NERC Work

Priority	High	Medium	Low
Assessment Completion Target Date and Status	2011 Completed	2012 Completed	2014 42% Completed (# of Circuits) 31% Completed (Mileage)
Remediation Completion Target Date and Status	2012 Completed	2013 Completed	2015

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What's Next?
Wind Interconnections

- To date, ITC Midwest has completed 23 new generator interconnects, adding approximately 2,500 MW of wind energy production capacity
- Active ITC Midwest Interconnection Requests in MISO Queue
  - 20 projects (approximately 2,300 MW) under evaluation.
  - 8 projects (approximately 950 MW) already connected with studies complete and GIA amendments pending.

A recent study concluded that the wind capacity added to ITC Midwest's grid has increased the state's output by $2 billion, with a total annual employment impact of 317 jobs.

What's Next?

Generator Projects

Responding to transmission needs for IPL generation changes:

- Retirement of Dubuque 8th Street Generating Station requires new 161kV line
- Retirement of Nelson Dewey requires 161 kV lines and coordination with MVP 5
- Construction of new MGS gas plant requires 115/161 kV and 34.5 kV upgrades

In Summary

Much progress made, but more to do

- System still constrained
  - Difficulty taking outages to schedule work given continued constraints
  - Generation retirements will compound challenges
- Proud of our investment in and commitment to the state and region

Appendix 3

Alliant Energy
Transmission Stakeholders Meeting

ITC Midwest Preventative Line Maintenance Process

Mike Gregory,
Maintenance Specialist

ITC Midwest Preventative Line Maintenance Process

- ITC Midwest operates and maintains approximately 7,455 miles of lines in Iowa, Minnesota and Illinois.
- These miles include the CIPCO integrated system.

Appendix 3

ITC Midwest Preventative Line Maintenance Process

- ITC Midwest performs a detailed span by span patrol on 20% of the system per year. This route is called OH Regulatory Patrol
- Criteria used to generate the annual line patrol schedule
  - Date of the last regulatory patrol
  - Line reliability and performance
  - Line age and condition
  - Factors which may increase reliability requirements, system rebuilds, voltage conversions etc.
  - Input from the Regional Field Employees; "the boots-on-the-ground folks"

Appendix 3

ITC Midwest Preventative Line Maintenance Process

- Lines not included in the span-by-span patrol are patrolled annually. This route is called Annual Visual Patrol.
- This is a less-detailed patrol performed by several methods which may include aerial, driving/ATV, and foot depending on line location and conditions.

ITC

ITC Midwest Preventative Line Maintenance Process

- ITC Midwest has two dedicated line patrollers.
- Line patrollers use a handheld device to capture the line deficiencies electronically
- The handheld has preset buttons to represent common line deficiencies.
- Patroller has the ability to add text to the problem description of each deficiency.
- The handheld captures GPS coordinates for each line deficiency.

ITC Midwest Preventative Line Maintenance Process

- When an entire line has been patrolled, the data or each line deficiency is uploaded into the *Asset Sentry* maintenance data base.
- Each line deficiency creates an “exception” in the *Asset Sentry* maintenance data base.
- Each exception has the problem detail, accounting, and location.
- Asset Sentry users can query the system to generate work packets and maps from the exceptions

ITC Midwest Preventative Line Maintenance Process

- There are three assets related to lines which exceptions can be created for:
  - A line or circuit
  - Pole top switches
  - Capacitor banks
- Exceptions are created against the line or circuit for lockouts/momentary operations
- Patrols, which are called routes, may be queried in the data base

ITC Midwest Preventative Line Maintenance Process

Year	Line Exception Generated	Line Exceptions Completed	% Complete
2009	4276	4272	99.9%
2010	5900	5888	99.8%
2011	6144	5049	82.2%
2012	6575	5532	84.1%
2013	4482	3058	68.2%

ITC Midwest Preventative Maintenance Process Related to Large Industrial Customers

- IPL provides ITC with a Large Industrial Customer Shutdown schedule on a monthly basis. ITC uses this schedule to plan maintenance and project work related to transmission assets which feed these customers.

ITC Midwest Preventative Maintenance Process Related to Large Industrial Customers

ITC has an internal process called N-1, if >50 MW of load or a known critical load is to be placed on a radial feed due to an ITC project we follow the N-1 process.

- Critical ITC assets are identified by operations engineering
- A review of open exceptions for critical assets is performed.
- Additional patrols or inspections of critical assets may be generated
- The ITC project will be delayed if the critical assets can't be repaired or are not deemed reliable.

ITC

Questions?

Thank you!

…Our Vision Forward