



Alliant Energy Corporate Services  
Legal Department  
319-786-4505 – Phone  
319-786-4533 – Fax

Kent M. Ragsdale  
Managing Attorney - Regulatory

Interstate Power and Light Co.  
An Alliant Energy Company

Alliant Tower  
200 First Street SE  
P.O. Box 351  
Cedar Rapids, IA 52406-0351

Office: 1.800.822.4348  
www.alliantenergy.com

December 21, 2012

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

**FILED WITH  
Executive Secretary  
December 21, 2012  
IOWA UTILITIES BOARD**

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 January 10, 2011, Final Decision and Order in the above-referenced docket, is Interstate Power and Light Company's semi-annual report of its transmission-related activities, as filed today on EFS.

Very truly yours,

/s/ Kent M. Ragsdale  
Kent M. Ragsdale  
Managing Attorney - Regulatory

KMR/kjf  
Enclosures

**STATE OF IOWA**  
**BEFORE THE IOWA UTILITIES BOARD**

**FILED WITH**  
**Executive Secretary**  
**December 21, 2012**  
**IOWA UTILITIES BOARD**

<b>IN RE:</b>  <b>INTERSTATE POWER AND LIGHT COMPANY</b>	<b>DOCKET NO. RPU-2010-0001</b>
--	---------------------------------

**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



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

**Table of Contents**

Executive Summary .....	2
Detailed Report - Introduction .....	12
1. ITC-M Relationship Management .....	13
2. Review, Analysis of and Response to ITC-M Dockets.....	14
3. Transmission Regulatory Activity, IPL Engagement .....	17
4. MISO Activity, IPL Participation .....	21
5. IPL and ITC-M's Joint Project Planning Process .....	24
6. IPL Projections and Analysis of ITC- M and MISO Rates .....	25
7. Transmission Outage Performance and Operations Coordination.....	32
8. Transmission Stakeholder Meeting.....	36
9. Timetable of Events Influencing Transmission Rates .....	38
10. Conclusions .....	39
Appendix 1 – IPL’s Filed Complaint to FERC in Docket No. EL12-104-000, ITC- M Attachment FF .....	40
Appendix 2 – IPL Filed Comments to FERC in Docket Nos. EC12-145-000, ER12-2681-000 and EL12-107-000, ITC – Entergy Transaction .....	41
Appendix 3 – IPL Questions for ITC-M Regarding ITC-M 2011 True-Up .....	94
Appendix 4 – ITC-M Responses to IPL Regarding ITC-M 2011 True-Up .....	97
Appendix 5 – IPL Questions for ITC-M Following Fall 2012 Partners in Business Meeting and 2013 Attachment O Posting .....	103
Appendix 6 – ITC-M Responses to IPL Regarding Fall 2012 Partners in Business Meeting and 2013 Attachment O Posting .....	107
Appendix 7 – Summary of Concentric Energy Advisors Study Commissioned by IPL .....	115
Appendix 8 – Transmission Stakeholder Meeting Information .....	127
Appendix 9 – ICC Letter Filed with IUB.....	191

## Executive Summary

Interstate Power and Light Company (IPL) continues managing the processes and relationship with ITC Midwest, LLC (ITC-M), influencing transmission 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 June 29, 2012 (June 2012 Report).

IPL is including the following new information in this Report in response to feedback and requests from stakeholders following IPL's Transmission Stakeholder meetings on June 5 and November 28, 2012, and other interactions:

- Additional IPL analysis on changes to ITC-M rates, drivers and reasonableness

IPL's strategy continues to be influencing transmission cost by advocacy for IPL customers with ITC-M, the Midwest Independent System Operator, Inc. (MISO) and through regulatory policy.

### **1. ITC-M Relationship Management**

IPL has an internal management structure with designated groups and individuals to interface with ITC-M; developed to manage the overall relationship and coordination activities with ITC-M. More information on the relationship structure is provided in the Detailed Report.

**Results** from internal IPL management activity include:

- Addressing ITC-M's Attachment FF Generator Interconnection Cost Allocation.
- Developing IPL's filing at the Federal Energy Regulatory Commission (FERC) regarding the ITC – Entergy transaction.

**Results** from various IPL and ITC-M management interactions include:

- Discussion of ITC-M concerns with IPL's Attachment FF and ITC-Entergy transaction filings.
- On-going discussion of general planning, daily operations, and customer communications coordination.

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**

A summary of *ITC-M initiated* dockets IPL has reviewed since July 1, 2012 and the formal action IPL has taken in those dockets, if any, is listed in Table 1 on the proceeding page.

**Table 1 - Summary of New ITC-M Dockets Reviewed by IPL and Actions Taken  
July 1 – December 14, 2012**

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	14	2	12	0	0
MPUC	1	--	1	--	--
FERC	1	--	--	1	--

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. IPL involvement in those proceedings is described below and in the Detailed Report.

### **3. Transmission Regulatory Activity, IPL Engagement**

Since the June 2012 Report, IPL notes the following most significant Board and FERC activity, and IPL's engagement:

#### **A. Iowa Utilities Board High-Voltage Transmission Projects Workshop**

##### **Results:**

- IPL participated in the Board Workshop on August 28, 2012 and gave a brief presentation reiterating its policy positions on transmission project planning and cost allocations.

#### **B. FERC Investigation into MISO Attachment O**

FERC initiated this investigation of the formula rate structure noting concerns of:

- Scope of participation;
- Transparency of the information; and
- Ability to challenge.

##### **Results:**

- IPL submitted comments to FERC on June 22, 2012 with suggested improvements in the noted areas of concern. A copy of IPL's comments was provided in the June 2012 Report.
- IPL has noted an increased effort on the part of ITC-M to provide additional information and transparency since this docket's origination. IPL observes that while ITC-M does indeed answer all questions, the quality and depth of the answers do not always meet IPL's stakeholder needs to provide sufficient justification for, and articulation of the benefits of ITC-M's transmission system investments.

#### **C. FERC Audit of ITC Holdings**

In 2011, FERC conducted an audit of ITC Holding's compliance with FERC's regulations and the conditions established in the 2007 FERC order approving the acquisition of IPL's transmission assets. The results and subsequent

activity reflected a difference in opinion between ITC Holdings and FERC regarding the accounting treatment for tax effects of amortized goodwill related to the acquisition of the transmission assets and an over-accrual of AFUDC.

**Results:**

- On February 13, 2012, IPL filed comments emphasizing that any conflict between ITC-M and FERC accounting policies must be resolved in favor of customers. A copy of IPL's filed comments were included with the June 2012 Report. Others, including the Board and the Office of Consumer Advocate, also filed comments in support of FERC's findings.
- FERC ultimately upheld its original Order. ITC Holdings filed a Refund Report at FERC on September 28, 2012.
- If the Refund Report is accepted by FERC before rates for 2013 are implemented, ITC-M will adjust the 2011 True-Up Adjustment in its 2013 rate in the amount of \$2.6 million, including principal and interest. If the Refund Report is accepted after 2013 rates are implemented, then ITC-M will adjust the 2012 True-Up Adjustment of the 2014 rate by \$2.7 million, including principal and interest.
- IPL will flow the refund through to IPL customers via IPL's transmission rider.

**D. IPL's Complaint on ITC-M Attachment FF**

As noted in the June 2102 Report, IPL communicated its concerns to ITC-M and MISO regarding its implementation of the MISO Attachment FF. In this tariff, the costs of generator interconnections are reimbursed to generators and, thus, passed on to IPL customers through ITC-M's rates.

**Results:**

- **IPL filed a complaint at FERC on September 14, 2012 seeking change to ITC-M's Attachment FF implementation:**
  - **IPL customers are significantly and unfairly disadvantaged**
  - **IPL calculates a \$170 million cost shift to IPL customers during 2008-2016, and**
  - **Interconnection customers should fund 100% of upgrades rated below 345kV and 90% for those rated above 345kV.**
- **A copy of IPL's complaint is attached as Appendix 1.**
- **Numerous supporting comments were filed from various stakeholders, other transmission dependent utilities, state commissions and others including the Board and Office of Consumer Advocate.**

**E. ITC – Entergy Transaction**

In 2011 ITC Holdings and Entergy announced the intent for ITC Holdings to acquire Entergy's transmission assets. ITC Holdings and Entergy filed an application at FERC on September 24, 2012 for approval of the transaction and rate treatment. IPL has noted a few concerns from the application:

- The cost allocation across ITC Holding operating companies;
- Impact of the transaction to ITC-M rates; and
- Potential diversion of management attention from ITC-M.

**Results:**

- **IPL raised concerns with ITC-M and ITC-M responded to address IPL's concerns.**
- **IPL filed comments at FERC on December 7, 2012, expressing its concerns, and acknowledging the IPL and ITC-M communications. IPL indicated it expects such concerns to be addressed through commitments to the customers of the existing ITC operating companies, including IPL, in the ITC and Entergy application to FERC for transaction approval. IPL's comments are attached as Appendix 2.**

#### **4. MISO Activity, IPL Participation**

IPL reviews the projects resulting from the annual MISO Transmission Expansion Plan (MTEP) process and provides feedback to MISO on all projects potentially impacting the transmission service and cost to IPL customers.

MISO released its pre-plan MTEP 2013 project list in September 2012. IPL has performed a review of the projects proposed, including those of ITC-M, and provided feedback to ITC-M and MISO in November 2012.

**Results:**

- **IPL has initially supported approximately \$92 million of ITC-M projects of the approximately \$250 million total over 2013-2018 that would improve reliability to IPL customers, or are related to the conversion of the 34.5kV and 115kV systems.**
- **IPL has initially opposed approximately \$148 million of ITC-M projects of the approximately \$250 million total over 2013-2018, on the basis of insufficient support justification or excessive cost in IPL's judgment.**
- **IPL expects that the number of ITC-M proposed projects and their associated cost that IPL is opposed to, will be reduced if ITC-M can make satisfactory additional cost and justification information available.**

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

**Results:**

- **As noted in the June 2012 Report, IPL and ITC-M had both participated in a Lean Six Sigma Rapid Improvement event to improve planning coordination. The project has since been completed and the new processes documented and implemented.**

IPL continues to:

- Request that ITC-M provide detailed plans for all ITC-M projects, beyond those deemed by ITC-M to directly involve IPL facilities.

- Work with ITC-M to provide more information to justify capital expenditures, articulate the benefits of its invested capital and the prudence of rates in ways satisfactory to IPL and its customers.

## **6. IPL Projections and Analysis of ITC- M Rates**

IPL had developed an internal model to forecast and illustrate the ITC-M Rate Zone Rates (which includes revenue requirements and load of other transmission owners in the Rate Zone) the ITC-M-only Rate Base. IPL based its forecasts on revenue requirement projections provided by ITC-M and IPL's own forecast of other variables. The results were included in the June 2012 Report.

IPL's forecast of the ITC-M Rate Zone Comparison to Others summary is shown in Figure 1 on the preceding page. IPL notes:

- **The information shown in Figure 1 is the same as that presented in the June 2012 Report, with an update for 2013 to reflect the 2013 ITC-M rate posted on September 1, 2012.**
- The 2013 ITC-M Rate Zone rate projected by IPL includes the ITC-M Attachment O rate for 2013 that was posted on September 1, 2012. ITC-M's Attachment O rate for 2013 also includes the \$10.2 million true-up credit from 2011 announced on May 31, 2012 by ITC-M.
- IPL's previous projection of the 2013 ITC-M-only rate had been \$7.79/kW/Mo. The 2013 ITC-M rate posted on September 1, 2012 was \$7.805/kW/Mo.
- Figure 1 includes a comparison of ITC-M Rate Zone rates to those of the American Transmission Company (ATC), MidAmerican Energy (MEC), and the median and average rate zone rates across MISO. This was in response to a stakeholder request at the IPL Summer 2012 Transmission Stakeholder Informational Meeting.

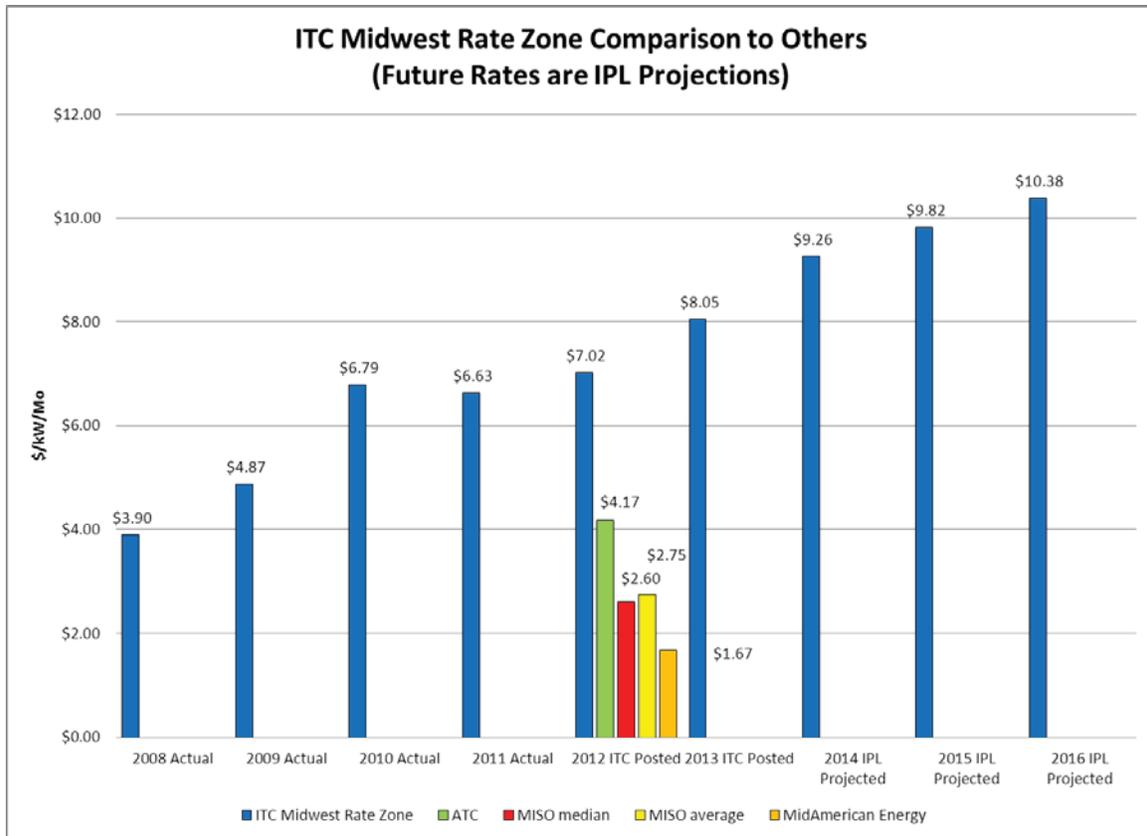


Figure 1 – ITC Midwest Rate Zone Comparison to Others

It is important to note when comparing ITC-M rates to rates of other transmission owners, there are significant differences that all impact the resultant rates. These include miles of line, number of substations, existing rate base assets, the voltage classes included in rate base, age and conditions of assets, and amount of load. These differences, along with subtleties of each transmission owner’s corporate strategy and rate design approach must be taken into consideration before drawing conclusions regarding the differences in rates.

**Results:**

- 1. IPL’s questions and ITC-M responses since the June 2012 Report are attached to this Report as Appendices 3, 4, 5, and 6.** ITC-M explanations for changes in various components of the formula rate are reasonable for the most part. However, IPL concludes that the continued rate of increase in ITC-M rates is primarily driven by the amount of new capital investments each year which rapidly adds to rate base. Virtually all individual components of the formula rate are proportional to, and thus follow the rate base additions. IPL has requested from ITC-M an update to its future revenue requirements and capital expenditure plan. ITC-M has indicated that no updates are available at this time.
- 2. IPL commissioned a study, performed by Concentric Energy Advisors (CEA) and attached as Appendix 7 to further understand ITC-M rates compared to others. The CEA study’s findings and conclusions include the following:**

- ITC-M's investments are being made to an extensive transmission system without a corresponding increase in system load.
  - ITC-M's operating costs are comparable to those of others.
  - ITC-M's capital investments over the last three years have far exceeded that of other firms.
- IPL concludes that the level of ITC-M rates and continued increases are primarily related to the following factors:
1. The continued rate of increase in ITC-M rates is primarily driven by the amount of new capital investments each year which rapidly adds to rate base. In other words, the pace of ITC-M new capital investment is a key driver of rates.
  2. ITC-M has made and continues to make substantial investments in the transmission system to improve reliability.
  3. A significant amount of ITC-M rate base is comprised of 34.5kV and 69kV assets, and is experiencing significant investment related to rebuild and conversion.
  4. Load in the ITC-M Rate Zone is small in comparison to others. This limits the ability to spread the costs, thus increasing ITC-M's rate.

## **7. Transmission Outage Performance and Operations Coordination**

Outage performance metrics were presented in the June 2012 Report, using full-year 2011 results in comparison to prior years. These metrics will be updated in early 2013 with full-year data from 2012 and will then be included in Transmission Stakeholder meetings and the next Report.

The data through 2011 supports a general improvement trend in the number of sustained and momentary outages since the transmission asset sale by IPL and purchase by ITC-M.

### **Results:**

- IPL believes that reliability is improving, in large part due to ITC-M maintenance, rebuilds, conversion, and new facility construction.
- Although not shown here, 2012 year-to-date reliability data thus far shows a dramatic reduction in the number of transmission outages in 2012 compared to prior years, in a trend that IPL believes will hold true for the full-year data.
- IPL and ITC-M have continued the efforts described in the June 2012 Report to:
  - Minimize impacts to large industrial customers from planned outages.
  - Collect IPL large customer plant outage and maintenance schedules which helps optimize ITC-M system maintenance scheduling and minimize inconvenience or unplanned outage risk for IPL customers.
  - Improve communications with customers by IPL and ITC-M.
- Several examples of transmission reliability and operations coordination improvements in recent months are given in the Detailed Report.

## **8. Transmission Stakeholder Meeting**

On November 28, 2012, IPL held its fourth semi-annual Transmission Stakeholder meeting in Cedar Rapids. The meeting was attended by large customers of IPL,

customer representatives and representatives of ITC-M and IPL. This meeting content was developed based on feedback following prior meetings and additional feedback from various stakeholders. The summary agenda included:

- IPL Update;
- ITC-M Update;
- Phone Presentation from FERC Commissioner John Norris; and
- Interactive Stakeholder Discussion.

Among the feedback, comments, questions and discussion generated were:

- Continued concern about the increasing ITC-M rates, particularly the 15% increase from 2012 to 2013;
- Questions and concern expressed to IPL, ITC-M and Commissioner John Norris about the comparison to ITC-M rates to MidAmerican Energy and explanation of the differences;
- Request that IPL provide additional comparison and history of MEC, ATC, MISO, Cornbelt and CIPCO network service rates to those of ITC-M;
- Continued concern about the ability of IPL to manage ITC-M costs;
- Desire and expectation that ITC-M be able to articulate a sound business case that justifies its investments, clearly illustrating reasons for the investments, expected quantifiable benefits, etc.;
- Expectation that IPL provide additional analysis of ITC-M rates in its semi-annual reports to the Board, including discussing in detail actions IPL has taken to ensure ITC-M's annual update of the inputs to the ITC-M Attachment O rate is reasonable and IPL's conclusions from that review;
- Concern that IPL customers do not attend the ITC-M Partners in Business meetings;
- Suggestion that IPL consider having an interim phone conference for transmission stakeholders, in between the semi-annual in-person stakeholder meetings;
- Suggestion that IPL circulate drafts of its FERC filings to stakeholders to solicit additional comments that reflect stakeholder interests; and

More details, including presentations from the November 28, 2012 meeting and IPL's next-step responses to the comments and questions above are included in the Detailed Report.

## **9. Timetable of Events Influencing Transmission Rates**

A timetable of events in 2013 which have influence on transmission rates and project planning is listed in Table 2 on the proceeding page.

**Table 2 – Timetable of transmission events influencing transmission rates**

2013 Month	Description
January - December	<ul style="list-style-type: none"> <li>On-going IPL/ITC Planning &amp; Project meetings</li> <li>On-going evaluation and analysis of any new information that can impact ITC-M Attachment O rates</li> </ul>
June	ITC-M 2012 True-up amount posted
September	ITC-M 2014 Attachment O (MISO Schedule 9) rates posted
September - December	<ul style="list-style-type: none"> <li>IPL analysis and evaluation of ITC-M Attachment O rate for 2014</li> <li>IPL evaluation and feedback on ITC-M projects in MTEP 2014</li> </ul>
November	IPL 2014 Transmission Rider Factors submitted to IUB
December	<ul style="list-style-type: none"> <li>IPL 2014 Transmission Rider Factors approval normally anticipated by Board</li> <li>MISO Board of Directors consideration for approval of MTEP 2014 projects</li> </ul>

### **Conclusions**

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.

Through this continued partnership, IPL strives to improve the reliability and manage costs of transmission service to IPL customers.

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

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, while improving reliability and managing toward cost-effective service.

While these efforts may not yet have a direct and measurable impact on attenuating ITC-M rates or rate increases, IPL believes its efforts have helped ITC-M increase its sensitivity to IPL stakeholder cost concerns and the need to provide sufficient justification for, and articulation of, the benefits from ITC-M's transmission system investments.

IPL recognizes and acknowledges that ITC-M is making needed investments in the transmission system. IPL believes system 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. What remains questionable in terms of priority, expected benefits, cost efficiency and pace is the overall balance of ITC-M new capital investment each year which rapidly adds to rate base, which in turn results in the rate increases.

Neither IPL nor IPL stakeholders have expressed satisfaction with the current status or outlook for transmission rates. However, IPL believes it is moving in the right direction with its efforts. Some others agree, as evidenced by a letter filed with the Board from the Iowa Consumer's Coalition (ICC), attached to this Report as Appendix 9. The ICC acknowledged and expressed support of IPL's efforts thus far, while outlining the remaining challenges as IPL has expressed in this Report.

## 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 June 29, 2012 (June 2012 Report):

1. ITC-M Relationship Management;
2. Review, Analysis of and Response to ITC-M Dockets;
3. Transmission Regulatory Activity, IPL Engagement;
4. Midwest Independent Transmission 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.

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.

IPL is including the following new information in this Report in response to feedback and requests from stakeholders following IPL's Transmission Stakeholder meetings on June 5 and November 28, 2012, and other interactions:

- Additional IPL analysis on changes to ITC-M rates, drivers and reasonableness.

IPL's strategy continues to be influencing transmission cost by advocacy for IPL customers with ITC-M, MISO and through regulatory policy.

## 1. ITC-M Relationship Management

IPL has an internal management structure with designated groups and individuals to interface with ITC-M; developed to manage the overall relationship and coordination activities with ITC-M. The structure and processes described in prior Reports are unchanged, other than a few name changes. This structure is provided in Figure 2 below.

As noted in the structure of Figure 2, the subcommittees meet monthly as well as on an as-needed basis. The Administrative Committee representatives are in contact on almost a weekly basis to discuss various issues. The Executive Committee representatives meet on a quarterly basis.

Internal to IPL, the IPL Executive Stakeholder Team representatives, chaired by IPL President Tom Aller, meet monthly with staff to review status of various transmission issues and provide 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;
- Board; and
- the Minnesota Public Utilities Commission (MPUC).

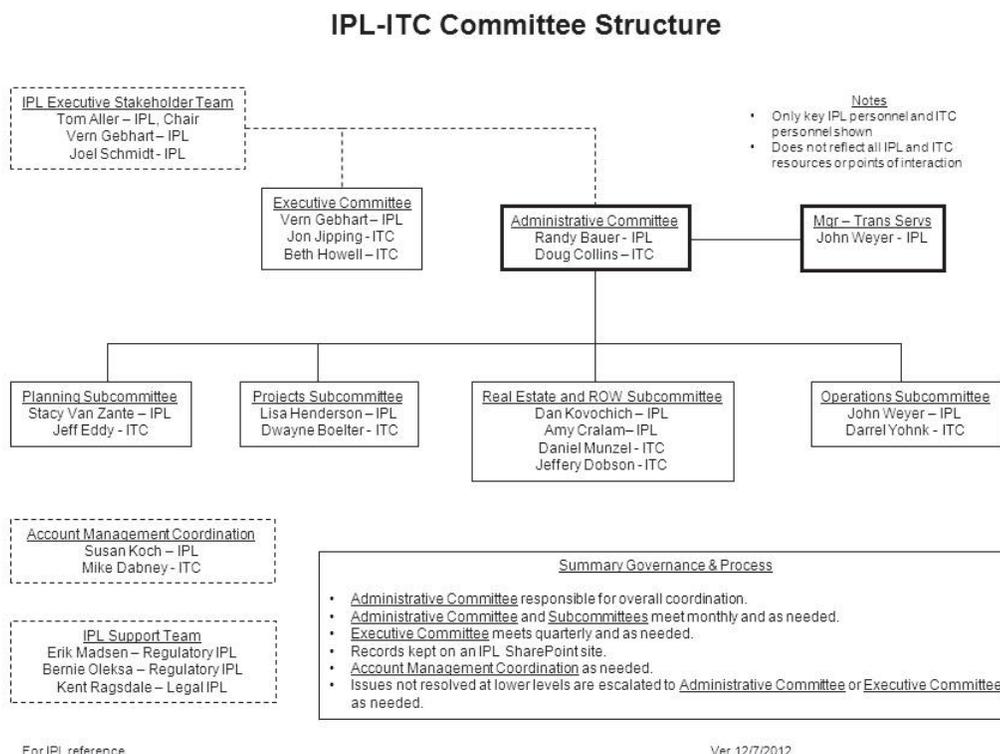


Figure 2 – IPL/ITC-M Committee Structure

**Results** from the internal IPL Executive Stakeholder Team since the June 2012 Report include:

- **Addressing ITC-M's Attachment FF Generator Interconnection Cost Allocation** – Finalizing IPL's filing at FERC to change the current ITC-M Attachment FF cost allocation process for new generation to be consistent with the majority of other MISO transmission owners. See more detailed discussion under *Section 3. Transmission Regulatory Activity, IPL Engagement*.
- **Planning and directing IPL's filing at FERC regarding the ITC – Entergy Transaction** – Discussed concerns about cost allocation and management attention resulting from the transaction. See more detailed discussion under *Section 3. Transmission Regulatory Activity, IPL Engagement*.

Regarding Administrative Committee and Executive Committee interactions since the June 2012 Report include the following:

- Discussion of ITC-M concerns with IPL's Attachment FF filing.
- Finalization of the customer damages claims process between the companies and continued handling with some resource changes that occurred at IPL.
- Continued project work at a major IPL customer site, and purchase agreement development of related assets from ITC-M by IPL.
- On-going discussion of general daily operations coordination and continued observation that interactions are going well.
- On-going discussion of planned outage process improvements under development at each company.

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.

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

## **2. Review, Analysis of and Response to ITC-M Dockets**

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

IPL continuously monitors filings made on a routine basis by ITC-M within the following regulatory jurisdictions:

- 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.

IPL performs a daily and weekly review of all new filings by ITC-M through the Board's Electronic Filing System, the MPUC's eDockets system, and the FERC Online systems. IPL's Transmission 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 a 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 proposes 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 June 2012 Report, IPL has reviewed 14 new dockets filed by ITC-M with the Board, and has provided responses as needed in the appropriate forums for two. A summary of IPL's review of new ITC-M filings to the IUB is provided in Table 3 on the proceeding page.

**Table 3 – New ITC-M Filings with Iowa Utilities Board**

Week Of	Docket No.	Short Description	IPL Action Taken	Reason
07/29/2012	E-21996	Notice of Completion of Franchised Line Construction	No Action	petition filed and granted prior to this process
07/29/2012	E-22027	Amendment No. 1 Notice of Completion of Franchised Line Construction	No Action	petition filed and granted prior to this process
07/29/2012	E-22089	Petition for an Extension to a Franchise to Erect, Maintain and Operate an Electric Transmission Line in Van Buren County, Iowa	Support	New tap to new IPL substation
08/26/2012	E-20994	Amendment No. 10 Petition for Amendment of an Electric Franchise to Erect, Maintain and Operate an Electric Transmission Line in Linn County, Iowa	No Action	Letter of Support sent 7/19/2011 stands for this project
09/23/2012	E-20871	Amendment No. 1 Notice of Informational Meeting for a Proposed Electric Transmission Line in Delaware County, Iowa	No Action	Other ITC customer project
09/23/2012	E-22100	Notice of Informational Meeting for a Proposed Electric Transmission Line in Linn County, Iowa	No Action	Other ITC customer project
09/23/2012	E-22101	Notice of Informational Meeting for a Proposed Electric Transmission Line in Delaware County, Iowa	No Action	Docket withdrawn by ITC-M
09/30/2012	E-20994	Amendment No. 4 Notice of Completion of Franchised Line Construction	No Action	Letter of support sent 7/19/2011 stands for this project
09/30/2012	E-20994	Amendment No. 11 Petition for an Amendment to an Electric Franchise to Erect, Maintain and Operate an Electric Transmission Line in Linn County, Iowa	No Action	Letter of Support sent 7/19/2011 stands for this project
09/30/2012	E-21017	Amendment No. 2 Notice of Completion of Franchised Line Construction	No Action	Letter of Support sent 12/5/2011 stands for this project
10/14/2012	E-21046	Amendment No. 3 Petition for an Amendment to a Franchise to Erect, Maintain and Operate an Electric Transmission Line in Jones County, Iowa	Support	New tap to new IPL substation
10/28/2012	E-20994	Amendment No. 12 Notice of Informational Meeting for a Proposed Electric Transmission Line in Linn County, Iowa	No Action	Letter of Support sent 7/19/2011 stands for this project
10/28/2012	E-21147	Amendment No. 9 Petition for an Amendment to a Franchise to Erect, Maintain and Operate an Electric Transmission Line in Marshall County, Iowa	No Action	Letter of support sent 4/1/2011 stands for this project
11/04/2012	E-22043	Amendments to Petition for Electric Franchise to Erect, Maintain and Operate an Electric Transmission Line in Grundy County, Iowa	No Action	Letter of support sent 4/1/2011 stands for this project

In Minnesota, ITC-M filed a letter with the MPUC on October 23, 2012, indicating that all right-of-way land acquisition activities have been completed on the Salem-Hazelton 345kV project and the project is expected to be completed in mid-2013. No other ITC-M filings deemed significant by IPL for the purposes of this Report have been made with the MPUC since the June 2012 Report, nor has IPL has taken any action with the MPUC regarding ITC-M filings.

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*, below.

### **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 June 2012 Report, IPL notes the following most significant Board and FERC activity, and IPL's engagement:

#### **A. Iowa Utilities Board High-Voltage Transmission Projects Workshop (Docket No. NOI-2012-0002)**

IPL participated in the Board Workshop on August 28, 2012 and gave a brief presentation reiterating its policy positions on transmission project planning and cost allocations.

##### **Results:**

- In summary, IPL included in its expressed positions that:
  - IPL shares customer concerns with prioritization and level of transmission infrastructure capital expenditures and its impact on rates;
  - Cost allocation approach across the MISO footprint for all project types should be consistent;
  - Cost allocation should be aligned with cost causers and beneficiaries to ensure fairness;
  - IPL supports the MISO MVP projects approved in MTEP 11, but would like to see more granular benefit-cost ratios calculated;
  - All projects, including merchant projects, should be fully studied through MISO to determine need, benefits, comparison to other options, and cost allocation;
  - IPL opposes any merchant transmission project until it has demonstrated "no harm" to MISO and IPL customers in both the short and long term; and
  - IPL supports transmission construction that benefits IPL customers.

#### **B. FERC Investigation into MISO Attachment O (Docket No. EL12-35-000)**

Following complaints regarding transmission formula rates, FERC initiated this investigation 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 include:

- Scope of participation;
- Transparency of the information; and

- Ability to challenge.

**Results:**

- IPL submitted comments to FERC on June 22, 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's analysis and projections of ITC-M rates revealed that IPL's forecasted increases are largely driven by increases in ITC-M rate base. Those rate base increases, in turn, are driven by continued capital expenses forecast by ITC-M. IPL seeks 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.
- ITC comments reflected their position where they consider the current protocols sufficiently transparent and emphasize the information regarding their formula rates and components made available at its semi-annual Partners in Business meetings, through the Attachment O rate postings on their OASIS site and that they welcome and respond to all questions raised by stakeholders.
- IPL has noted an increased effort on the part of ITC-M to provide additional information and transparency since this docket's origination. IPL has continued to submit questions to ITC-M about rate components, trends and justification following posted updates to the Attachment O True-Up and the next year's Attachment O Rates. ITC-M has continued to answer each question within its stated 21 day response timeframe. IPL observes that while ITC-M does indeed answer all questions, the quality and depth of the answers do not always meet IPL or IPL stakeholder needs to provide sufficient justification for, and articulation of, the benefits of ITC-M's transmission system investments.
- It is not currently known when or specifically how FERC will respond to its requested input on this docket.

**C. FERC Audit of ITC Holdings (Docket No. PA10-13-000)**

In 2011, FERC conducted an audit of ITC Holding's compliance with FERC's regulations and the conditions established in the 2007 FERC order approving the acquisition of IPL's transmission assets. On September 30, 2011, FERC issued an order that identified certain findings and recommendations regarding the accounting treatment for the acquisition of IPL's transmission assets. The issues largely reflected a difference in opinion regarding the accounting treatment for tax effects of amortized goodwill related to the acquisition of the transmission assets and an over-accrual of AFUDC. The

order instructed ITC-M to cease the recording of the tax effects of amortized goodwill, make correcting entries for the over-accrual of AFUDC and to adjust formula rate billings for both. On October 31, 2011, ITC Holdings and ITC-M (collectively "ITC") filed a request for FERC review of certain contested issues. ITC did indicate it would cease recording of the tax effects of amortized goodwill, but contested certain other items from the order. On December 29, 2011, FERC issued its Notice of Paper Hearing Procedure.

**Results:**

- On February 13, 2012, IPL filed comments that, in summary, emphasized that any conflict between ITC-M and FERC accounting policies must be resolved in favor of customers. A copy of IPL's filed comments were included with the June 2012 Report. Others, including the Board and the Office of Consumer Advocate, also filed comments in support of FERC's findings.
- FERC's Order continued to be contested by ITC Holdings. FERC ultimately upheld its original Order, and an implementation plan was subsequently filed by ITC Holdings and accepted by FERC. ITC Holdings filed a Refund Report at FERC on September 28, 2012.
- If the Refund Report is accepted by FERC before rates for 2013 are implemented, ITC-M will adjust the 2011 True-Up Adjustment in its 2013 rate in the amount of \$2.6 million, including principal and interest. If the Refund Report is accepted after 2013 rates are implemented, then ITC-M will adjust the 2012 True-Up Adjustment of the 2014 rate by \$2.7 million, including principal and interest.
- Since the refund will be part of ITC-M's formula rate in 2013 or 2014, it will be flowed through to IPL customers via IPL's transmission rider. IPL customers represent 80 to 90 percent of the load served by ITC-M transmission through ITC-M's Attachment O rate, therefore IPL customers will benefit from a corresponding amount of the total refund.
- It is not currently known when or specifically how FERC will respond to ITC-M's Refund Report.

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

As noted in the June 2102 Report, IPL communicated its concerns to ITC-M regarding its implementation of the MISO Attachment FF. In this tariff, the costs of generator interconnections are reimbursed to generators and, thus, passed on to IPL customers through ITC-M's rates. IPL contends 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 will be reimbursed 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 calculates 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.

**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.**
- **A copy of IPL's complaint is attached to this Report as Appendix 1.**
- **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.**
- **It is not currently known when or specifically how FERC will respond to IPL's complaint or its requested input on this docket.**

**E. ITC – Entergy Transaction (Docket Nos. EC12-145-000, ER12-2681-000 and EL12-107-000)**

Entergy previously announced its intent in 2011 to join MISO. ITC Holdings and Entergy announced the intent in 2012 for ITC Holdings to acquire Entergy's transmission assets. The required regulatory approval applications have substantially been made and are in process. The transaction is expected to close in 2013. ITC Holdings and Entergy filed application at FERC on September 24, 2012 for approval of the transaction and rate treatment.

IPL has noted a few concerns from the application:

- The cost allocation across ITC Holding operating companies;
- Impact of the transaction to ITC-M rates; and
- Potential diversion of management attention from ITC-M.

**Results:**

- **IPL raised concerns with ITC-M and ITC-M responded by organizing a conference call to address IPL's concerns. ITC-M also responded to IPL's concerns expressed via a submitted question following the ITC-M Fall 2012 Partners in Business meeting, as shown in Appendices 5 and 6 attached to this Report.** In general, ITC-M gave reassurances that expenses associated with the ITC-Entergy transaction would not be allocated to ITC-M rates. Further, ITC-M indicated that the

allocation of administrative and general (A&G) expenses via the existing Modified Massachusetts Formula was expected to result in a reduction of these allocated costs to ITC-M. ITC-M also indicated that it should benefit from the storm response expertise of the Entergy system and that resources would be placed to manage the Entergy system assets exclusively, while retaining those managing ITC-M without change.

- **IPL filed comments at FERC on December 7, 2012, expressing its concerns, acknowledging the IPL and ITC-M communications about IPL's concerns. IPL indicated it expects such concerns to be addressed through commitments to the customers of the existing ITC operating companies, including IPL, in the ITC and Entergy application to FERC for transaction approval. In particular, IPL noted its desire to maintain the working relationship it has developed with ITC-M that facilitates maintaining and improving service levels to IPL customers and the importance of preserving that through sufficient management attention from ITC-M. IPL's comments are attached to this Report as Appendix 2.**

#### **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 and voting stakeholder in the Regional Expansion Criteria Benefits (RECB) Task Force that is charged with shaping cost allocation policy. IPL is also an active and voting member on 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 and the West Sub-Regional Planning Meeting (West SPM).

A summary chart of the various MISO committees IPL participates in is provided in Figure 3 on the proceeding page.

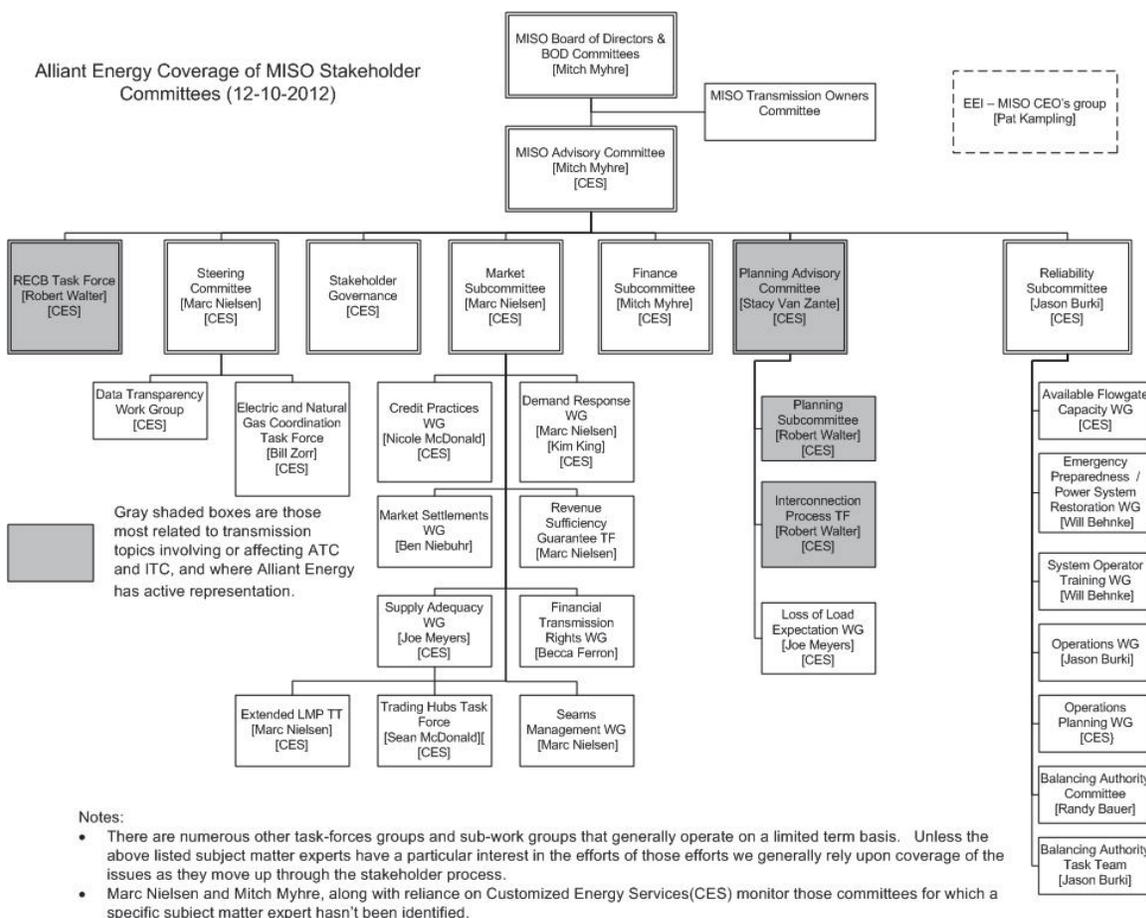


Figure 3 – Alliant Energy involvement at MISO

**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, MPUC and FERC dockets.

Consistent with its annual planning process, MISO released its pre-plan MTEP 13 project list in September 2012. IPL has performed a review of the MTEP 2013 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 13 Appendix A project list, there were 256 projects identified totaling roughly \$3.7 billion, of which 42 were ITC-M projects totaling approximately \$250 million over 2013-2018.

The MTEP 13 details can be found on MISO's website, (URL: [midwestiso.org](http://midwestiso.org)). These include projects proposed by ITC-M as noted in the ITC-M 2012 Fall Partners in Business Meeting Presentation, publicly available.

(URL:

<http://oasis.midwestiso.org/documents/itcm/2012%20Fall%20Partners%20In%20Business%20Planning%20and%20Attachment%20O%20Presentation%20FINAL%2010-9-12.pdf>).

#### **Results:**

- **In November 2012, IPL reviewed those projects proposed for MTEP 13 and provided comments to MISO and ITC-M:**
  - IPL generally did not take a position on projects unrelated to IPL, including those of ITC-M.
  - **IPL generally supported projects that would improve reliability to IPL customers or the interconnected system, including those of ITC-M.**
  - **IPL generally supported ITC-M projects related to the conversion of the 34.5kV and 115kV systems.**
  - **IPL has initially opposed approximately \$148 million of ITC-M projects of the approximately \$250 million total over 2013-2018, on the basis of insufficient support justification or excessive cost in IPL's judgment.**
  - **IPL has initially supported approximately \$92 million of ITC-M projects of the approximately \$250 million total over 2013-2018.**
  - **IPL shared all comments on proposed MTEP13 projects directly with ITC Midwest and proposed meeting with ITC-M for further discussion on the MTEP13 projects.**
  - **IPL expects that some number of ITC-M proposed projects and their associated cost that IPL is opposed to, will be reduced if ITC-M can make satisfactory additional cost and justification information available.**

IPL will continue to be actively involved at MISO as the MTEP 2013 project list continues to be studied and refined.

The MTEP 13 process has therefore been initialized and will continue through the normal process to be finalized and presented to the MISO Board of Directors for approval in December 2013. MISO has not identified a new portfolio of Candidate MVP projects for MTEP 13. IPL continues to monitor initiation and progress of the MTEP 11 MVPs.

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

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 1), IPL's Transmission and Delivery System Planning departments meet monthly with ITC-M's Planning department. The two companies meet to coordinate conceptual planning, studies and work scope development.

### **Results:**

- As noted in the June 2012 Report, IPL and ITC-M had both participated in a Lean Six Sigma (LSS) Rapid Improvement (RI) event to improve planning coordination. The project has since been completed and the new processes documented and implemented. 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.

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 to meet the 18-year conversion schedule

and that ITC-M is on track 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.

Beyond the 34.5kV to 69kV rebuild and conversion plans, IPL continues to:

- Request that ITC-M provide detailed plans for all ITC-M projects, not just those deemed by ITC-M to directly involve IPL facilities.
- Work with ITC-M to provide more information to justify its capital expenditures, articulate the benefits, of its invested capital, and the prudence of its rates in ways satisfactory to IPL and its customers.

## **6. IPL Projections and Analysis of ITC- M and MISO Rates**

The June 2012 Report included the results of IPL's projections of ITC-M and MISO regional project rates, predominately at the request of the Iowa Consumers Coalition (ICC).

IPL had developed an internal model to forecast and illustrate the ITC-M rate formula components over time. IPL used publicly available information from ITC-M's published Attachment O rates, true-ups, investor presentations, and IPL's own forecast of load and offsets to ITC-M revenue requirements.

ITC-M provided its revenue requirements projections to IPL in March 2012 and subsequently posted them publicly on the ITC-M OASIS system at MISO. Based on this ITC-M projected revenue requirement information, IPL updated its rate forecast modeling of ITC-M rates.

IPL's forecast modeling of ITC-M rates yielded the ITC Midwest Rate Zone Rates, Actual and IPL Projection summary is shown in Figure 4 below. It is important to note:

- ITC-M, Great River Energy, Southern Minnesota Municipal Power Agency and Central Minnesota are part of a joint rate zone administered by MISO. Under the resulting joint ITC-M Rate Zone, the load and revenue requirements of the participants are combined, resulting in a composite rate. In this instance, the resulting rate is somewhat higher than ITC-M's rate alone.
- Historical figures are actuals; future figures are IPL projections.
- The information shown in Figure 4 is the same as that presented in the June 2012 Report, with an update for 2013 to reflect the 2013 ITC-M rate posted on September 1, 2012.

- ITC M's Attachment O rate for 2013 also includes the \$10.2 million true-up credit from 2011 announced on May 31, 2012 by ITC-M.
- IPL's previous projection of the 2013 ITC-M-only rate had been \$7.79/kW/Mo. The 2013 ITC-M rate posted on September 1, 2012 was \$7.805/kW/Mo.

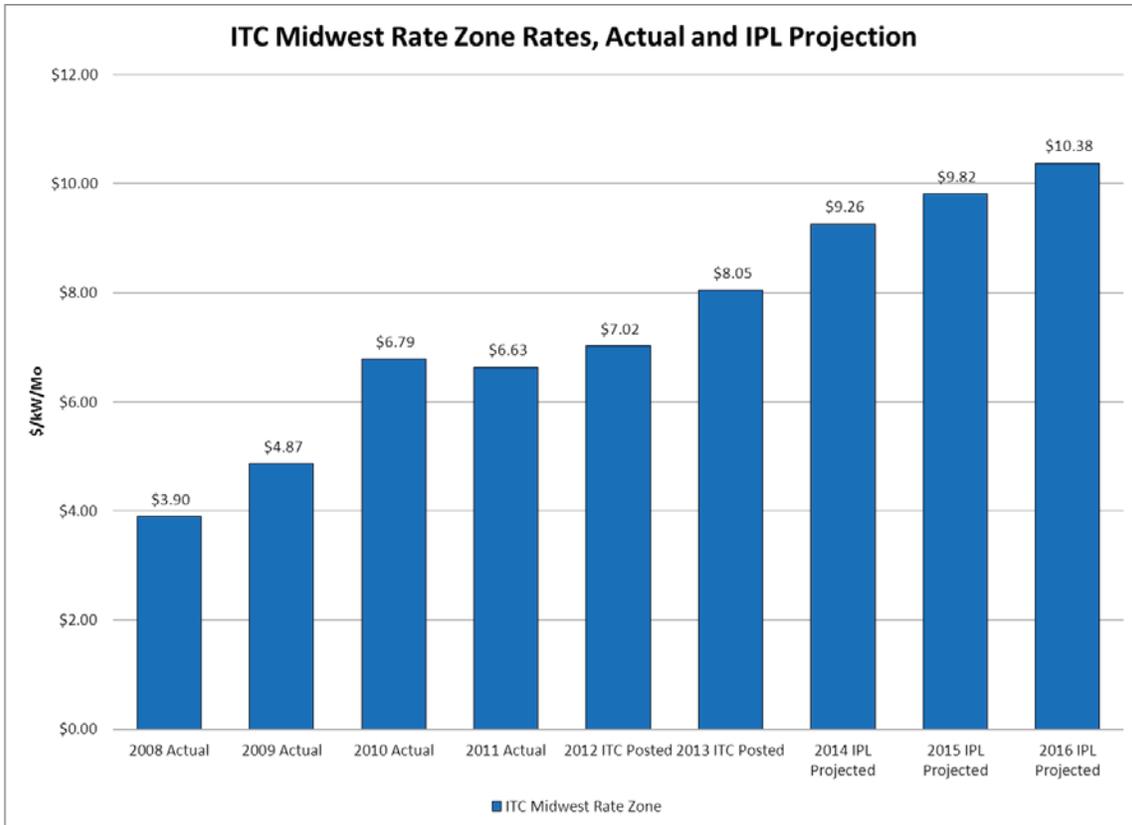


Figure 4 – ITC Midwest Rate Zone Rates, Actual and IPL Projection

IPL's forecasting also yielded a projection of ITC-M Rate Base, as shown in Figure 5 below. The information shown in Figure 5 is the same as that presented in the June 2012 Report, with an update for 2013 to reflect the 2013 rate base posted at part of the 2013 ITC-M rate posted on September 1, 2012.

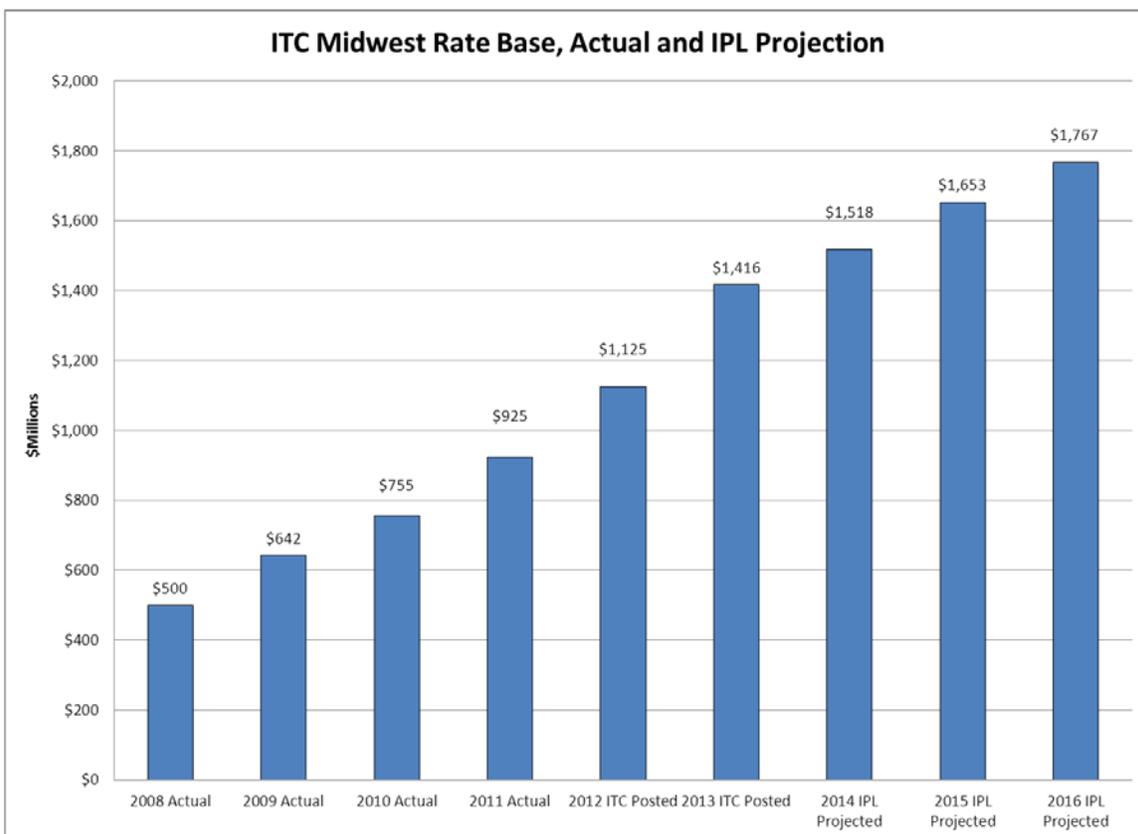


Figure 5 – ITC Midwest Rate Base, Actual and IPL Projection

At the IPL Summer 2012 Transmission Stakeholder Informational Meeting the Large Energy Group (LEG), requested IPL to show a comparison of the ITC-M rate and MidAmerican Energy (MEC) rate.

Figure 6 below was prepared for the IPL Transmission Stakeholder Meeting held on November 28, 2012. Similar to Figure 4 above, it shows the ITC Midwest Rate Zone actual and IPL projected rates, along with the 2012 rates for the American Transmission Company (ATC), MEC, and the median and average rate zone rates across MISO.

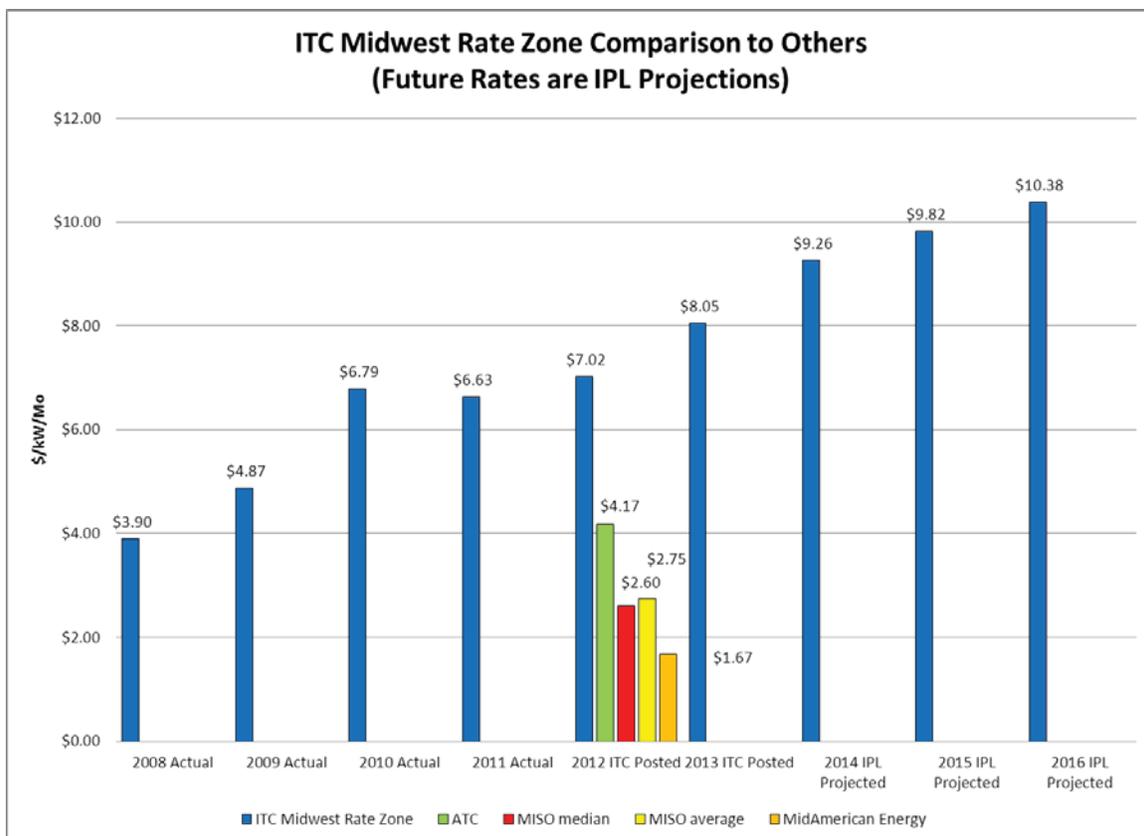


Figure 6 – ITC Midwest Rate Zone Comparison to Others

It is important to note that when comparing ITC-M rates to other that of other transmission owners, there are significant differences that all impact the resultant rates. These include:

- Miles of line;
- Number of substations;
- Amount of existing rate base assets;
- Proportion of various voltage classes included in rate base assets;
- Age and conditions of the assets;
- And amount of load.

These differences, along with subtleties of each transmission owners' corporate strategy and rate design approach must be taken into consideration before drawing conclusions regarding the differences in rates.

For example, in the June 5 Transmission Stakeholder Information Meeting presentation included in the June 2012 Report, IPL noted that, while ATC is much larger in terms of line miles, substations, revenue requirements, and rate base-- its rate is well under ITC-M's, largely due to the fact that ATC has nearly 4 times to the load over which to spread its annual revenue requirements.

At the November 28 Transmission Stakeholders Meeting, requests for additional current and historical comparisons were made along with additional analysis, which IPL will

perform and report on at the next Transmission Stakeholder Meeting and June 2013 semi-annual report.

**Results:**

**3. IPL Analysis:**

Following the ITC-M Partners in Business Meetings and the posting of ITC-M Attachment O rates and true-ups, IPL prepares a written list of questions that are submitted to ITC-M for response, consistent with the current MISO formula rate protocol. **IPL's questions and ITC-M responses to the ITC-M Attachment O True-Up (posted on June 1, 2012) and the ITC-M 2013 Attachment O rate (posted on September 1, 2012) are attached to this Report as Appendices 3, 4, 5, and 6.**

IPL has requested from ITC-M an update to its future revenue requirements and capital expenditure plan, however, ITC-M has indicated that no updates are available at this time, nor is it known when updates will be available. IPL will continue periodically request updates from ITC-M and monitor publically available information including SEC and FERC filings for additional insight to ITC-M financial plans.

**IPL finds that ITC-M explanations for changes in various components of the formula rate such as O&M, A&G, depreciation & amortization, taxes, etc. are mostly reasonable. These and virtually all other individual components of the formula rate are relatively proportional to, and thus follow, the rate base additions. However, IPL concludes that the continued rate of increase in ITC-M rates is primarily driven by the substantial amount of new capital investments each year which rapidly adds to rate base.**

Recognizing earlier that the key ITC-M rate component of concern is the annual increase in rate base resulting from ITC-M's annual capital expenditures, IPL had previously requested ITC-M to provide further breakdown of its base capital plan on an individual project and cost basis going forward, including generator interconnections and the 34.5kV to 69kV rebuild and conversion initiative. ITC-M declined, indicating that it does not provide such information beyond what is required for the annual MISO MTEP reports. However, ITC-M did provide a percentage proportion of annual capital by project *type* for its five year capital plan, and provided a list of planned 34.5kV to 69kV rebuild and conversion projects, but not cost. **IPL has found the information provided by ITC-M to date insufficient to adequately analyze individual ITC-M project costs for reasonableness.** (While not included with this Report, IPL's request and ITC-M's response were included as Appendices 9 and 10 of IPL's June 2012 Report.) **This has reinforced IPL's conclusion to place a renewed emphasis on analysis and commentary of ITC-M project cost and necessity through the MISO MTEP process. IPL's conclusion resulted in its November response to MISO and ITC-M on ITC-M projects in MTEP 2013 as noted earlier, above in Section 4. MISO Activity, IPL Participation.**

In addition, in an effort to further understand ITC-M rates compared to those of other transmission owners, IPL commissioned a study,

performed by Concentric Energy Advisors (CEA) and attached as Appendix 7. The CEA study's findings and conclusions include the following:

- ITC-M's investments are being made to a lengthy transmission system without a corresponding increase in system load.
- ITC-M's operating costs are comparable to those of others.
- However, ITC-M's capital investments over the last three years have far exceeded that of other firms.

The CEA study affirmed IPL's prior observations and conclusions.

Therefore, IPL's prior analysis and comparisons, knowledge of various transmission system characteristics impacting rates, the CEA study, and experience with ITC-M's ownership and operations of the system, leads IPL to conclude that the level of ITC-M rates and continued increases are primarily related to the following factors:

1. The continued rate of increase in ITC-M rates is primarily driven by the substantial amount of new capital investments each year which rapidly adds to rate base. In other words, the pace of ITC-M new capital investment is a key driver of rates.
2. ITC-M has made and continues to make substantial investments in the transmission system to improve reliability in the early years following the acquisition from IPL.
3. In particular, significant amount of ITC-M rate base is comprised of 34.5kV and 69kV assets compared to others, and this part of ITC-M's asset base is experiencing significant investment related to the rebuild and conversion initiative.
4. Load in the ITC-M Rate Zone is small in comparison to others. This limits the ability to spread the costs, thus increasing ITC-M's rate.

Again, it is noted that comparisons between transmission owners' systems and the resultant rates are challenging due to significant differences in sizes of systems, proportion of rate base in various voltage classifications, age and conditions of the assets, load, etc.

For the June 2012 Report, IPL also summarized MISO's Schedule 26 and Schedule 26A rate forecasts for large projects cost shared across the MISO footprint. The MISO forecasted charges and rates for Schedule 26 and Schedule 26A respectfully are illustrated and summarized in Figure 7 on the proceeding page. The data is unchanged from the June 2012 Report, however the format is updated to show the two rate schedule forecasts together.

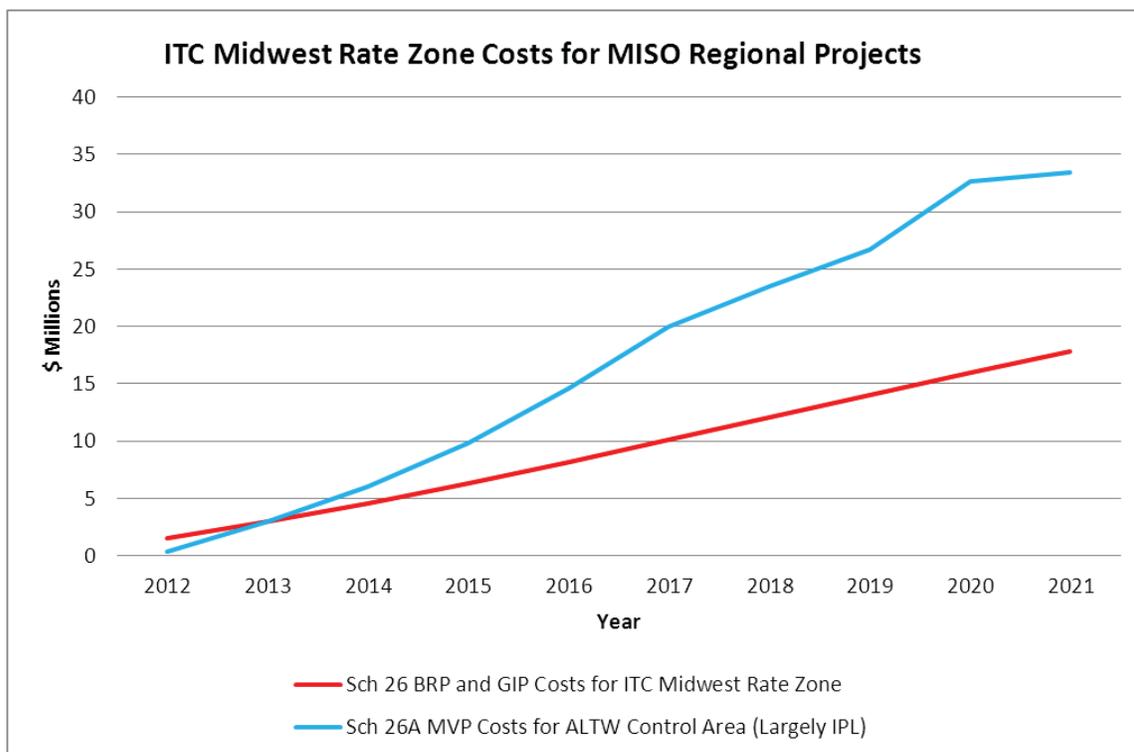


Figure 7 – ITC Midwest Rate Zone Costs for MISO Regional Projects

Regarding the MISO regional project costs, it is noted that:

- These costs are projected by MISO.
- The costs shown are limited to those impacting the ITC-M Rate Zone; and in turn, IPL and its customers.
- Schedule 26 rates include Baseline Reliability Projects (BRP) and Generator Interconnection Projects (GIP) executed by the various transmission owners.
- While the costs of the Multi Value Projects (Schedule 26A MVPs) shown in Figure 7 increase through 2021, they then decrease as the projects are put into service and have begun depreciating.
- While both the Schedule 26 and 26A rates are components of IPL transmission costs and increasing, they collectively are an order of magnitude less than ITC-M costs.
- IPL does not anticipate another group of MVP projects to emerge from the MTEP process in the near-term of at least the next two to three years.

**Results, continued:**

**4. IPL Conclusion:**

The key driver impacting ITC-M rates and continued increases is the new capital investment each year which rapidly adds to rate base. In other words, it is the pace of new investment which has most affected rates.

IPL recognizes and acknowledges that ITC-M is making needed investments in the transmission system. IPL believes system 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. What remains questionable in terms of priority, expected benefits, cost efficiency and pace is the overall balance of ITC-M new capital investment each year which rapidly adds to rate base, which in turn drives the rate increases.

Therefore, for ITC-M rates as well as the MISO regional project costs, IPL's challenge and strategy continues to be influencing transmission cost by advocacy for IPL customers with ITC-M, MISO and through regulatory policy. Specifically, IPL will continue to do so through the following actions:

- Close coordination with ITC-M on planned projects and costs to influence the prudence and pace of new capital investment, including those involving 34.5kV to 69kV rebuild and conversion;
- 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 issues (such as ITC-M's Attachment FF and MISO Attachment O rate transparency filed comments).

## **7. Transmission Outage Performance and Operations Coordination**

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

As noted in the June 2012 Report, IPL and ITC-M in 2012 have shifted emphasis from a transmission outage restoration metric to more emphasis on transmission system reliability metrics, using data compiled by both IPL and ITC-M.

**Selected summary graphics from the June 2012 Report are shown here again with some improved readability, however it is emphasized that the data is not new or updated and reflects full-year results only through 2011. These metrics will be updated in early 2013 with full-year data from 2012 and will then be included in future Transmission Stakeholder meetings and IPL's next Report.**

From the reliability data provided by ITC-M, IPL produced the graph shown below in Figure 8 on the preceding page. Through 2011, the data supports a general improvement trend in the number of sustained and momentary outages since the transmission asset sale by IPL and purchase by ITC-M. Overall, there is evidence of reduction in sustained outages 69kV and above. The year 2010 data is considered abnormal due to the number and severity of weather events, as noted on the graphic. 2008 performance was also severely impacted by weather events, most notably flooding. A modest increase in momentary outages might be attributed to improved maintenance, including an aggressive vegetation program by ITC-M. Therefore, some

events that may have resulted in sustained outages in the past are now only momentary. 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.

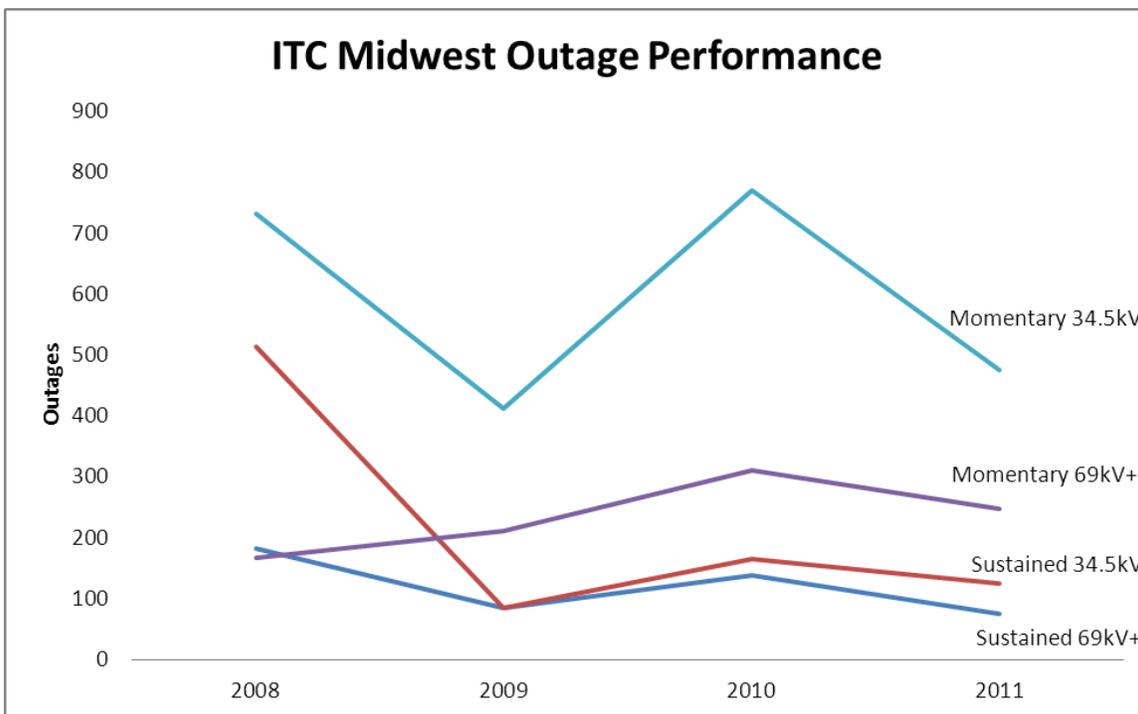


Figure 8 – ITC-M Outage Performance

Industry standard measures of the customer outage experience (SAIDI and SAIFI; transmission only) are shown again in Figures 9 and 10 on the preceding page. 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 10-year period 2001–2011. 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.

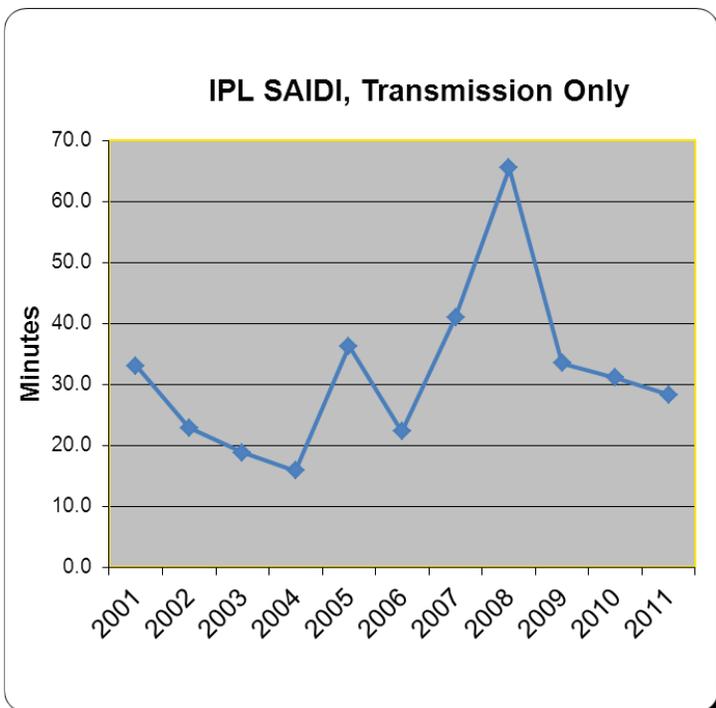


Figure 9 – Transmission Reliability, SAIDI (System Average Interruption Duration Index) - Average length in minutes of outages for all customers.

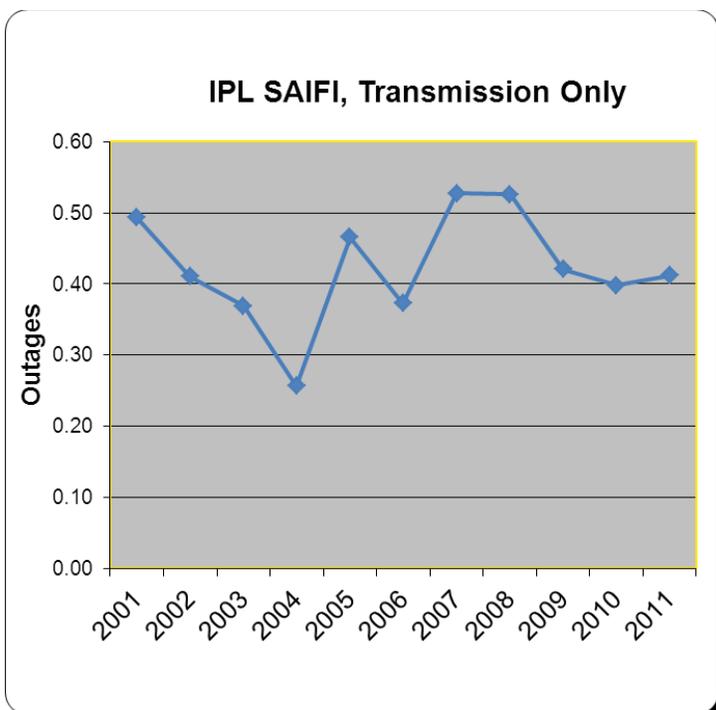


Figure 10 – Transmission Reliability, SAIFI (System Average Interruption Frequency Index) - Average number of outages experienced by all customers.

**Results:**

- **IPL believes that reliability is improving, 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 8, 9 and 10 above since the transmission assets were acquired by ITC-M. However, it is acknowledged that the number of years of experience under ITC-M ownership and operation remains relatively short and year-to-year weather volatility high. **2012 year-to-date reliability data thus far shows a dramatic reduction in the number of transmission outages in 2012 compared to prior years, in a trend that IPL believes will hold true for the full-year data.** IPL will continue to work with ITC-M to analyze the improved reliability attributable to a more robust transmission system versus that resulting from fewer significant weather events.
- IPL and ITC-M have continued the efforts described in the June 2012 Report 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 and improved coordination and contingency planning. The processes and resulting coordination continue to evolve and improve.
  - Collect IPL large customer plant outage and maintenance schedules which helps optimize ITC-M system maintenance scheduling and minimize inconvenience or unplanned outage risk for IPL customers.

**Results, continued:**

- Improve communications with customers by IPL and ITC-M. IPL's Account Management and ITC-M's Stakeholder Relations groups have continued to coordinate closely on communications, particularly with large, transmission-connected customers, improving service and minimizing conflicting or confusing messaging.

**Examples of transmission reliability and operations coordination improvements in recent months include:**

- Comments by IPL Regional Director of Customer Service, Brad Morgan: "The Cedar Rapids Metro area continues to see improvements in the operational performance of the electric system. For several years now ITC-M has been building new infrastructure at 69 and 161kV, eliminating parts of the 34.5 and 115kV systems that had reached or were nearing the end of their useful life. The new transmission system is providing benefit by adding a more robust voltage support system along with increased reliability by being newly constructed and adding loop systems to areas that did not necessarily have a backup system previously. In addition ITC-M has worked well with IPL when completing maintenance on the existing transmission system that has many years of useful life remaining. This cooperative spirit allows for the work to be done while keeping the system operating as it is completed. The transmission voltage conversions being done in conjunction with distribution system conversion and rebuild is laying the ground work for current and future reliability improvements for both the transmission service and the distribution systems serving the customers of IPL."

- Comments by IPL Manager–Transmission Planning, Stacy Van Zante: “While we are still waiting on ITC-M to complete the 161kV loop through our new Downtown Industrial and River Run substations, the work they have completed (New 6th St to Beverly 161kV line, new PCI to River Run 161 and 69kV line with rebuild of 34kV and construction of the high sides in our subs) has met our schedules and our needs. We have been able to move away from the 6th Street Power Plant station and a temporary substation built after the flood in 2008. The two new sources in Cedar Rapids are quite significant investments for IPL and ITC-M supported our work and designed their substations for a high level of reliability. This will be truly advantageous to the downtown customers fed off our 13.8kV system.”
- As related by an IPL Key Account Manager, a major Cedar Rapids area customer has experienced improved reliability and good project coordination associated with a major conversion to 69kV completed on part of the area 34.5kV system. The customer representative recently made unsolicited comments that they were extremely pleased with the coordination efforts that were put into the 34.5 to 69kv conversion project and they were they were pleased with the outcome. The customer appreciates the efforts and investments that are being made because they understand it has a direct impact on the reliability at their facility.
- In southeast Iowa, a major customer recently commented at a joint visit by IPL and ITC-M representatives that reliability has improved at their production facility in recent years and he attributes it to the maintenance and system improvements by ITC-M. In addition, he noted that he had seriously been considering installing backup generation to cover some critical processes, but had concluded that the number of outages and their duration experienced in the last year do not justify the expense. Further, the customer is pleased with ITC-M’s plan for additional transmission system improvements in the near future that will add to the reliability and restoration ability for outages that may occur.
- In southern Iowa, an IPL Senior Manager of Customer Operations expressed appreciation to ITC-M for the coordination and execution of a day-time planned outage to conduct major maintenance on a transmission line serving a small community. The work required careful coordination to minimize the outage duration for the community.

Please note that these are only a small representative sample of interactions where IPL has worked closely with ITC-M to maintain and improve reliability, and to manage cost impacts to customers.

## **8. Transmission Stakeholder Meeting**

On November 28, 2012, IPL held its fourth semi-annual Transmission Stakeholder meeting in Cedar Rapids. The meeting was attended by 14 large customers and customer representatives. This meeting content was developed based on feedback

following prior meetings and additional feedback from various stakeholders. The summary agenda included:

- IPL Update;
- ITC-M Update;
- Phone Presentation from FERC Commissioner John Norris; and
- Interactive Stakeholder Discussion.

The meeting was also attended by 16 IPL representatives, many of them Key Account Managers for customer attendees. Three representatives from ITC-M also participated and one presented the ITC-M update.

Among the feedback, comments, questions and discussion generated were:

- Continued concern about the increasing ITC-M rates, particularly the 15 percent increase from 2012 to 2013. Several customers had follow up questions for IPL Key Account Managers about how overall rates are impacted;
- Questions and concern expressed to IPL, ITC-M and FERC Commissioner John Norris about the comparison to ITC-M rates to MidAmerican Energy and explanation of the differences;
- Continued concern about the ability of IPL to manage ITC-M costs, and, thus, the costs to IPL customers;
- Desire and expectation that ITC-M be able to articulate a sound business case that justifies its investments, clearly illustrating reasons for the investments, expected quantifiable benefits, etc.;
- Expectation that IPL provide additional analysis of ITC-M rates in its semi-annual reports to the Board, including discussing in detail actions IPL has taken to ensure ITC-M's annual update of the inputs to the ITC-M Attachment O rate is reasonable and IPL's conclusions from that review;
- Request that IPL provide additional history of MEC, ATC, and MISO rates for comparison to ITC-M;
- Concern that IPL customers do not attend the ITC-M Partners in Business meetings;
- Suggestion that IPL consider having an interim phone conference for transmission stakeholders, in between the semi-annual in-person stakeholder meetings;
- Suggestion that IPL circulate drafts of its FERC filings to stakeholders to solicit additional comments that reflect stakeholder interests; and
- A Request that IPL's comparison of ITC-M rates to others includes a comparison to Cornbelt and CIPCO network service rates.

In response to the feedback, comments, questions and discussion from the meeting, IPL will:

- Work to communicate more clearly and frequently the impact of transmission rates on overall rates to stakeholders;
- Provide additional comparison and analysis of ITC-M rates to others, including historical rates;
- Work with ITC-M for more information toward a business case approach to justify its investments;

- Provide additional analysis of ITC-M rates in its semi-annual reports to the Board (IPL has taken additional steps in this regard with this Report, including additional commentary on its analysis to date and the CEA study commissioned earlier by IPL);
- Provide additional detail in the semi-annual reports to the Board, addressing in detail actions IPL has taken to ensure ITC-M's annual update of the inputs to the ITC-M Attachment O rate is reasonable and IPL's conclusions from that review;.
- Revisit with ITC-M the invited attendance to the ITC-M Partners in Business meetings. At a minimum, IPL will distribute to stakeholders the URL for the publicly available material ITC-M presents at its Partners in Business meetings;
- Initiate regular interim phone conferences for updates to stakeholders, between the semi-annual stakeholder meetings;
- *Continue* to circulate drafts of its FERC filings to stakeholder *representatives* for comment. IPL will consider sending these directly to IPL customer-stakeholders if requested.

A few strategy suggestions were made by stakeholder representatives since the June 2012 Report, and prior to the November 28 meeting. They were considered, evaluated, and responded to in the November 28, 2012 presentation.

More details, including the presentation slides from the November 28, 2012 Transmission Stakeholder meeting are included in Appendix 8 to this Report.

## **9. Timetable of Events Influencing Transmission Rates**

A timetable of events in 2013 which have influence on transmission rates and project planning are listed in Table 4 below.

**Table 4 – Timetable of transmission events influencing transmission rates**

2013 Month	Description
January - December	<ul style="list-style-type: none"> <li>• On-going IPL/ITC Planning &amp; Project meetings</li> <li>• On-going evaluation and analysis of any new information that can impact ITC-M Attachment O rates</li> </ul>
June	ITC-M 2012 True-up amount posted
September	ITC-M 2014 Attachment O (MISO Schedule 9) rates posted
September - December	<ul style="list-style-type: none"> <li>• IPL analysis and evaluation of ITC-M Attachment O rate for 2014</li> <li>• IPL evaluation and feedback on ITC-M projects in MTEP 2014</li> </ul>
November	IPL 2014 Transmission Rider Factors submitted to IUB
December	<ul style="list-style-type: none"> <li>• IPL 2014 Transmission Rider Factors approval normally anticipated by Board</li> <li>• MISO Board of Directors consideration for approval of MTEP 2014 projects</li> </ul>

## **10. Conclusions**

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.

Through this continued partnership, IPL strives to improve the reliability and manage costs of transmission service to IPL customers.

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

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, while improving reliability and managing toward cost-effective service.

While these efforts may not yet have a direct and measurable impact on attenuating ITC-M rates or rate increases, IPL believes its efforts have helped ITC-M increase its sensitivity of IPL stakeholder cost concerns and the need to provide sufficient justification for, and articulation of the benefits from, ITC-M's transmission system investments.

IPL recognizes and acknowledges that ITC-M is making needed investments in the transmission system. IPL believes system 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. What remains questionable in terms of priority, expected benefits, cost efficiency and pace is the overall balance of ITC-M new capital investment each year which rapidly adds to rate base, which in turn drives the rate increases.

Neither IPL nor IPL stakeholders are yet satisfied with the current status or outlook for transmission rates. However, IPL believes it is moving in the right direction with its efforts to influence transmission costs. Some others agree, as evidenced by a letter filed with the Board from the Iowa Consumer's Coalition (ICC), attached to this Report as Appendix 9. The ICC group acknowledged and expressed support of IPL's efforts thus far, while outlining the remaining challenges as IPL has likewise expressed in this Report.

**Appendix 1 – IPL’s Filed Complaint to FERC in Docket No. EL12-104-000, ITC-M  
Attachment FF**

**UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION**

<b>Interstate Power and Light Company,</b>	)	
	)	<b>Docket No. EL12-_____</b>
	)	
<b>Complainant,</b>	)	
	)	
<b>v.</b>	)	
	)	
<b>ITC Midwest, LLC,</b>	)	
	)	
<b>Respondent.</b>	)	
	)	

**COMPLAINT OF  
INTERSTATE POWER AND LIGHT COMPANY**

Interstate Power and Light Company (“IPL”) complains to the Federal Energy Regulatory Commission (“FERC”) against ITC Midwest, LLC (“ITCM”), to seek a change to a provision of Attachment FF of the Open Access Transmission, Energy and Operating Reserve Markets Tariff (“MISO Tariff”) of Midwest Independent Transmission System Operator, Inc. (“MISO”), that is unjust, unreasonable, and unduly discriminatory in its application to IPL and its customers.<sup>1</sup>

At issue is MISO Tariff Attachment FF, § III.A.2.d.4, under which generator interconnection service customers of ITCM are able to recover from ITCM up to one hundred percent of their reimbursable interconnection-related network upgrade costs. ITCM rolls those costs into its zonal transmission cost of service under the MISO Tariff structure and passes them on to its customers. As IPL is the largest customer in the ITCM pricing zone by a large margin, IPL and its customers bear the brunt of those costs – estimated at over \$32 million in incremental

---

1. IPL submits this complaint pursuant to Section 206 of the Federal Power Act, 16 U.S.C. § 824e, and Section 206 of FERC’s Rules of Practice and Procedure, 18 C.F.R. § 385.206.

costs during the period 2008 through 2011 in comparison with the costs IPL and its customers would have borne under the version of MISO Tariff Attachment FF applicable in most other MISO pricing zones<sup>2</sup> – without obtaining commensurate benefits. In addition, MISO Tariff Attachment FF, § III.A.2.d.4, creates aberrant economic incentives for generators to site their projects at locations on the ITCM system to minimize their development costs without regard to the least cost solution with respect to the overall transmission system. As a result of the severely negative consequences of MISO Tariff Attachment FF, § III.A.2.d.4, as applied to ITCM and its customers, that provision of the MISO Tariff is unduly discriminatory and unjust and unreasonable.

IPL requests FERC to grant the following relief: (1) set for investigation the justness and reasonableness of MISO Tariff Attachment FF, § III.A.2.d.4; (2) establish a refund effective date of September 14, 2012, with respect to this complaint; and (3) establish hearing procedures. If FERC determines that MISO Tariff Attachment FF, § III.A.2.d.4 is unjust and unreasonable, it should direct ITCM to file revisions to that provision to conform it with the cost recovery provisions of MISO Tariff Attachment FF applicable to most other MISO pricing zones.

---

2. MISO Tariff Attachment FF, § III.A.2.d(1). Under Attachment FF as applicable to Generator Interconnection Projects in most other MISO pricing zones, the owners of Generator Interconnection Projects rated 345 kV or above are eligible for reimbursement of up to 10% of the projects' reimbursable costs, while projects rated lower than 345 kV are not eligible for cost reimbursement. The terms and conditions governing Generator Interconnection Projects that interconnect with the American Transmission Company LLC ("ATC") transmission system are provided in a different attachment to the MISO Tariff, Attachment FF-ATCLLC, so the descriptions in this complaint regarding interconnection-related terms and conditions under MISO Tariff Attachment FF are not applicable to ATC and Generator Interconnection Projects that interconnect with ATC.

## I. SUMMARY OF COMPLAINT

MISO Tariff Attachment FF establishes terms and conditions for transmission expansion planning in the MISO region, including terms and conditions that govern the recovery of costs for Generator Interconnection Project network upgrades.<sup>3</sup> Under the general rule of MISO Tariff Attachment FF applicable to Generator Interconnection Projects that interconnect with most other MISO transmission owners in MISO pricing zones outside the ITCM pricing zone, interconnection customers are eligible to be repaid up to 10% of the costs of the Generator Interconnection Project network upgrades funded by the customer once commercial operation of the customer's generating facility is achieved.<sup>4</sup> In contrast, MISO Tariff Attachment FF, § III.A.2.d.4, which is applicable in the ITCM pricing zone, establishes a cost recovery protocol for Generator Interconnection Projects that interconnect with the ITCM transmission system that makes ITCM's interconnection customers eligible to be repaid up to 100% of the reimbursable costs associated with the Generator Interconnection Project network upgrades identified as necessary to interconnect those generator projects and funded by those customers.<sup>5</sup>

ITCM recovers its costs of providing transmission service to customers on the ITCM transmission system under the MISO Tariff through formula rate methodologies. Under those formula rates,<sup>6</sup> ITCM recovers from its transmission service customers the costs of providing transmission and interconnection service, including the cost of reimbursements it makes to its

---

3. The term "Generator Interconnection Projects" is defined to mean "New Transmission Access Projects associated with the interconnection of or increase in generating Capacity of Generation Resources pursuant to Attachment R and Attachment X of this Tariff." MISO Tariff § 1.263.

4. MISO Tariff Attachment FF, § III.A.2.d.1.

5. MISO Tariff Attachment FF § III.A.2.d.4. A generator interconnection customer is eligible for reimbursement for Generator Interconnection Project network upgrade costs once commercial operation of the customer's generating facility is achieved and other conditions identified in MISO Tariff Attachment FF are satisfied.

6. MISO Tariff Attachments O (Rate Formulae) and GG (Network Upgrade Charge) and Schedule 26 (Network Upgrade Charge from Transmission Expansion Plan).

generator interconnection service customers with respect to Generator Interconnection Project network upgrades, which reimbursements are up to 100% of the generator interconnection customers' reimbursable costs for those projects pursuant to MISO Tariff Attachment FF, § III.A.2.d.4. IPL is the largest transmission service customer in the ITCM pricing zone, comprising approximately 88% of the network load in the ITCM pricing zone. As such, IPL pays approximately 88% of ITCM's annual revenue requirements through its MISO Tariff Attachment O cost recovery formula rate.<sup>7</sup> IPL also pays approximately 88% of the MISO Tariff Schedule 26 costs allocated to the ITCM pricing zone.

During the period from 2008 through 2011, IPL estimates that it paid approximate \$44.7 million to ITCM in connection with Generator Interconnection Project network upgrades for which ITCM reimbursed its generator interconnection service customers at a rate of 100% under MISO Tariff Attachment FF, § III.A.2.d.4. Of that approximately \$44.7 million paid pursuant to MISO Tariff Attachment FF, § III.A.2.d.4, IPL estimates that approximately \$32.4 million represented incremental costs attributable to ITCM's 100% cost reimbursement for Generator Interconnection Project network upgrades. In contrast, IPL estimates that it would have only been responsible for approximately \$12.3 million in Generator Interconnection Project network upgrade costs during the same period if ITCM would have followed MISO Tariff Attachment FF, § III.A.2.d.1, the version of MISO Attachment FF applicable in most other MISO pricing zones. This incremental cost burden, which falls on IPL and its customers, arises solely due to the 100% cost reimbursement mechanism under MISO Tariff Attachment FF, § III.A.2.d.4. In addition, IPL estimates that it and its customers will face responsibility to pay approximately

---

7. IPL's customer load, served using network integration transmission service on the ITCM transmission system, represents approximately 92% of ITCM's total load on its system, but approximately 88% of the joint rate zone load that includes Great River Energy, the Southern Minnesota Municipal Power Agency and the Central Minnesota Municipal Power Agency.

\$138.1 million more in connection with Generator Interconnection Project network upgrades pursuant to MISO Tariff Attachment FF, § III.A.2.d.4, during the period 2012 through 2016 than it would pay under MISO Tariff Attachment FF, § III.A.2.d.1. The burden of these huge costs is unrelated to any benefits that may accrue to IPL and its customers from the energy produced by the interconnecting generators or from the network upgrades constructed to support the new generation, which benefits have been, in IPL's experience to date, negligible.

The network upgrade reimbursement policy embodied in Tariff Attachment FF § III.A.2.d.4 promotes the interconnection of wind power with the ITCM transmission system by providing those generation developers with a radically more generous cost reimbursement treatment (100%) than the 10% cost reimbursement that is available to them in most other MISO pricing zones. IPL acknowledges that FERC takes the position that network upgrades to the transmission system can benefit all customers<sup>8</sup>. As applied to IPL and its customers, however, MISO Tariff Attachment FF § III.A.2.d.4, causes IPL and its customers to bear an inordinate and burdensome portion of the cost (100%) of Generator Interconnection Project network upgrades relative to the insignificant benefits provided by those interconnection-related network upgrades.

As noted, IPL estimates that from 2008 through 2011, it and its customers have paid approximately \$44.7 million in connection with Generator Interconnection Project network upgrades, of which approximately \$32.4 million represented incremental costs attributable to ITCM's 100% cost reimbursement policy pursuant to MISO Tariff Attachment FF, § III.A.2.d.4, in contrast to the 10% reimbursement policy under MISO Tariff Attachment FF, § III.A.2.d.1, the version of MISO Tariff Attachment FF applicable in most other MISO pricing zones. IPL

---

8. See, e.g., International Transmission Company, Michigan Electric Transmission Company, LLC and Midwest Independent Transmission System Operator, Inc., 120 FERC ¶ 61,220 at 16 (2007) ("ITC and METC Attachment FF Order").

and its customers have not received commensurate benefits from those Generator Interconnection Project network upgrades. Those network upgrades were designed for the specific purpose of interconnecting generating facilities with the ITCM transmission system, not for the purpose of providing increased overall system reliability or for the purpose of increasing overall bulk transmission system throughput. Those network upgrades associated with breaker additions, switching stations or line taps, which comprised most of the projects ITCM has completed from 2008 through 2011, provide no benefit to IPL or its customers and serve only to facilitate generator interconnections. IPL and its customers have not experienced any material improvements to reliability or lower energy prices arising from the Generator Interconnection Project network upgrades for which they have borne a huge expense. Because the significant additional expenses imposed on IPL and its customers through MISO Tariff Attachment FF, § III.A.2.d.4, are not offset by commensurate benefits, that provision is unduly discriminatory and gives rise to a disparity that is unjust and unreasonable.

## **II. PARTIES AND BACKGROUND**

### **A. IPL and ITCM**

IPL is a public utility that serves approximately 527,000 electric retail customers in Iowa and Minnesota. IPL is a wholly-owned subsidiary of Alliant Energy Corporation, a holding company that also owns Wisconsin Power and Light Company, an electric and gas public utility in Wisconsin.

ITCM is an independent transmission company that owns and operates the transmission system formerly owned by IPL. ITCM is a subsidiary of ITC Holdings Corp. (“ITC Holdings”). ITCM was formed to purchase and operate IPL’s transmission system.

IPL formerly owned the transmission system now owned and operated by ITCM. In January 2007, IPL entered into an asset sale agreement with ITCM under which IPL agreed to sell its transmission system to ITCM. IPL completed the sale of its transmission system to ITCM on December 20, 2007, following receipt of FERC approval under FPA § 203,<sup>9</sup> approvals from the Illinois Commerce Commission, the Iowa Utilities Board, the Minnesota Public Utilities Commission, and the Missouri Public Service Commission, and satisfaction of other conditions. When IPL owned the system, it comprised approximately 6,800 miles of transmission lines and associated substations and infrastructure located in Iowa, Minnesota, Missouri, and Illinois. ITCM has since made additions to the former IPL system.

ITCM is a transmission-owning member of MISO and has adopted MISO's Attachment O formula rate methodology to recover its transmission revenue requirement.<sup>10</sup> Under ITCM's formula rate, ITCM annually projects its transmission revenue requirement and establishes charges for transmission service on the basis of its projections, and then it trues-up its actual revenue collection with its actual cost of service and collects or refunds the difference in the following year with interest. ITCM's transmission revenue requirement includes costs associated with its reimbursement of costs for Generator Interconnection Projects under Attachment FF, § III.A.2.d.4.

**B. Costs to IPL Associated with Attachment FF, § III.A.2.d.4**

IPL is the largest customer in the ITCM pricing zone, comprising approximately 88% of the transmission load in that zone and paying approximately 88% of ITCM's annual revenue requirements in 2011.<sup>11</sup>

---

9. ITC Holdings Corp., et al., 121 FERC ¶ 61,229 (2007) ("ITC Holdings").

10. Id.

11. See note 7.

As explained in the attached affidavit of Randy Bauer, Director of Resource Planning for IPL, IPL estimates that from 2008 through 2011, IPL paid approximately \$44.7 million to ITCM in connection with Generator Interconnection Project network upgrades for which ITCM reimbursed its generator interconnection service customers at a rate of 100% under MISO Tariff Attachment FF, § III.A.2.d.4. IPL paid those charges through MISO Tariff Schedules 9 and 26, as determined through MISO Tariff Attachments O and GG but arising under MISO Attachment FF, § III.A.2.d.4. In contrast, IPL estimates that it would have been responsible for approximately \$12.3 million in connection with Generator Interconnection Project network upgrades if ITCM had reimbursed its generator interconnection customers pursuant to MISO Tariff Attachment FF, § III.A.2.d.1, the version of MISO Tariff Attachment FF applicable in most other MISO pricing zones outside the ITCM pricing zone. The estimated incremental amount of approximately \$32.4 million represents the burden borne by IPL and its customers arising from MISO Attachment FF, § III.A.2.d.4.

IPL understands that in addition to the approximately \$32.4 million in incremental costs it estimates that it and its customers already have paid to ITCM arising from MISO Tariff Attachment FF, § III.A.2.d.4, IPL faces significantly greater future expenses also arising under that provision. ITC Holdings, the parent of ITCM, projects in its capital plan an additional \$153 million in generator interconnection costs for ITCM during 2012-16.<sup>12</sup> IPL estimates that it and its customers will be responsible for approximately \$138.1 million in costs arising from those ITCM expenses through the application of MISO Tariff Attachment FF, § III.A.2.d.4 during that period, compared with approximately \$18.1 million in expenses for which they would be

---

12. Various 2012 ITC Holdings presentations, most recently “Jul 11–13, 2012 Europe Investor Meetings” at [http://files.shareholder.com/downloads/ITC/1837356903x6423157x583208/622b2bf7-9a48-4d8c-b75c-907113ca6d75/Presentation\\_Materials\\_-\\_Europe\\_FINALppt.pdf](http://files.shareholder.com/downloads/ITC/1837356903x6423157x583208/622b2bf7-9a48-4d8c-b75c-907113ca6d75/Presentation_Materials_-_Europe_FINALppt.pdf), page 12.

responsible pursuant to MISO Tariff Attachment FF, § III.A.2.d.1, as applicable to MISO pricing zones outside the ITCM pricing zone.

Based on Generator Interconnection Project network upgrades already constructed in the ITCM pricing zone and future forecast Generator Interconnection Project network upgrades projected to be constructed through 2016, IPL estimates that by the end of 2016, IPL and its customers will have paid approximately \$170.5 million in incremental costs over what IPL and its customers would have paid under MISO Tariff Attachment FF, § III.A.2.d.1, the provision of MISO Tariff Attachment FF which do not provide generator interconnection customers with reimbursements of up to 100%.<sup>13</sup> In contrast, IPL estimates that it and its customers would have paid approximately \$30.4 million during that period under MISO Tariff Attachment FF, § III.A.2.d.1.

#### **C. MISO Tariff Attachment FF, § III.A.2.d.4**

FERC accepted the relevant provisions of MISO Attachment FF in 2008.<sup>14</sup> In the ITCM Attachment FF Order, FERC acknowledged but disagreed with comments raised by Great River Energy that argued that allowing ITCM to reimburse 100% of the cost of Generator Interconnection Project network upgrades would increase transmission rates in the ITCM pricing zone and shift to retail customers the costs of upgrades needed in connection with Generator Interconnection Projects without providing clear benefits to customers in the zone.<sup>15</sup> However, Great River Energy did not argue that ITCM's proposed Attachment FF, § III.A.2.d.4, as

---

13. Based on IPL paying approximately 88% of ITCM's annual revenue requirements in 2011.

14. ITC Midwest, LLC, and Midwest Independent Transmission System Operator, Inc., 124 FERC ¶ 61,150 (2008) ("ITCM Attachment FF Order"). In the ITCM Order, FERC accepted MISO Tariff Attachment, § III.A.2.d(3), which since has been renumbered as § III.A.2.d.4.

15. Id. at P 15.

applied, would unduly discriminate against customers in the ITCM pricing zone in comparison with customers in other MISO zones, as is the case with IPL.

### III. COMPLAINT

FPA § 205(b) prohibits undue preferences and unreasonable differences in rates,<sup>16</sup> and FPA § 206 requires FERC to ensure that no rate or charge is “unduly discriminatory or preferential.”<sup>17</sup>

IPL acknowledges that in accepting MISO Tariff Attachment FF, § III.A.2.d.4, FERC discussed the fact that the section provides an interconnection-related cost reimbursement treatment within the ITCM pricing zone that is different from the interconnection-related cost reimbursement afforded customers in most other MISO pricing zones, but that it nonetheless was acceptable.<sup>18</sup> FERC also stated that it has found that 100% reimbursement for network upgrades is just and reasonable and that different rate proposals can be just and reasonable.<sup>19</sup>

With this complaint, IPL does not mount a collateral attack on FERC’s acceptance of Attachment FF, § III.A.2.d.4, in the ITCM Attachment FF Order. Rather, IPL complains about the unduly discriminatory treatment that arises under Attachment FF, § III.A.2.d.4, as it is

---

16. FPA § 205(b) provides that “No public utility shall, with respect to any transmission or sale subject to the jurisdiction of the Commission, (1) make or grant any undue preference or advantage to any person or subject any person to any undue prejudice or disadvantage, or (2) maintain any unreasonable difference in rates, charges, service, facilities, or in any other respect, either as between localities or as between classes of service.” 16 U.S.C. § 824d(b).

17. FPA § 206 provides that “Whenever the Commission, after a hearing held upon its own motion or upon complaint, shall find that any rate, charge, or classification, demanded, observed, charged, or collected by any public utility for any transmission or sale subject to the jurisdiction of the Commission, or that any rule, regulation, practice, or contract affecting such rate, charge, or classification is unjust, unreasonable, unduly discriminatory or preferential, the Commission shall determine the just and reasonable rate, charge, classification, rule, regulation, practice, or contract to be thereafter observed and in force, and shall fix the same by order.” 16 U.S.C. § 824e.

18. ITCM Attachment FF Order at P 18.

19. Id.

applied to IPL and its customers. FERC has acknowledged the right of transmission customers like IPL to file a complaint with FERC under FPA § 206 if the application of a cost allocation provision under a tariff results in an unduly discriminatory outcome, and in the context of that complaint, FERC will assess the merits of the customer's claim.<sup>20</sup> With this complaint, IPL seeks redress from the unduly discriminatory nature of Attachment FF, § III.A.2.d.4 as it is applied to IPL and its customers, not to relitigate FERC's acceptance of Attachment FF, § III.A.2.d.4, in the ITCM Attachment FF Order.<sup>21</sup>

As established in the Bauer affidavit, IPL estimates that during the period 2008 through 2011, IPL and its customers bore an incremental cost burden of approximately \$32.4 million arising from MISO Attachment FF, § III.A.2.d.4. During that period, IPL estimates that it paid approximately \$44.7 million to ITCM in connection with Generator Interconnection Project network upgrades for which ITCM reimbursed its generator interconnection service customers at a rate of 100% under MISO Tariff Attachment FF, § III.A.2.d.4.<sup>22</sup> In contrast, IPL estimates that it would have been responsible for approximately \$12.3 million in connection with Generator Interconnection Project network upgrades if ITCM had reimbursed its generator interconnection

---

20. See International Transmission Co., et al., 120 FERC ¶ 61,220 at P 17 (2007), *reh'g denied* 123 FERC ¶ 61,065 (2008).

21. In the ITCM Attachment FF Order, FERC did not have occasion to address the question raised in this complaint, namely, whether the effect of allocating Generator Interconnection Project network upgrades costs in a manner that shifts all those costs to transmission customers in the ITCM pricing zone is unduly discriminatory. See E.ON Climate & Renewables North America, LLC, 137 FERC ¶ 61,076 at P 41 (2011) (in order granting a complaint and holding a provision of MISO Attachment FF to be unjust, unreasonable, and unduly discriminatory, FERC held that the complaint was not a collateral attack on prior FERC orders accepting Attachment FF for filing because the particular issues raised in the complaint were not specifically addressed in the prior orders.).

22. As noted, IPL is the largest transmission customer in the ITCM pricing zone, comprising approximately 88% of the network load in ITCM's pricing zone and paying approximately 88% of ITCM's annual revenue requirements. See note 7, *supra*. As such, IPL and its customers are responsible for most of the interconnection-related charges that ITCM passes through to its customers under MISO Tariff Schedules 9 and 26 determined by MISO Tariff Attachments O and GG that arise from ITCM's 100% reimbursement policy under MISO Tariff Attachment FF, § III.A.2.d.4.

customers pursuant to MISO Tariff Attachment FF, § III.A.2.d.1, the version of MISO Tariff Attachment FF applicable in most other MISO pricing zones outside the ITCM pricing zone. The estimated incremental amount of approximately \$32.4 million represents the burden borne by IPL and its customers arising from MISO Attachment FF, § III.A.2.d.4. Moreover, IPL estimates that it and its customers will be responsible for approximately \$138.1 million in incremental costs during the period 2012 through 2016 arising from ITCM Generator Interconnection Project network upgrade expenses through the application of MISO Tariff Attachment FF, § III.A.2.d.4, during that period in contrast to the approximately \$18.1 million in expenses for which IPL estimates they would be responsible pursuant to MISO Attachment FF as applicable to MISO pricing zones outside the ITCM pricing zone.

IPL takes transmission service in the ITCM pricing zone to serve its wholesale and retail customers, with most of that service arranged to facilitate its service to retail customers. IPL's retail rates established under the authority of the Iowa Utilities Board and Minnesota Public Utilities Commission cause its transmission service costs incurred under the MISO Tariff to be passed through to its retail customers. The effect of Attachment FF, § III.A.2.d.4, is to cause significant costs – estimated to be approximately \$32.4 million for 2008 through 2011, and approximately \$170.5 million through 2016 – to be shifted from ITCM's interconnection service customers to IPL and its retail customers. Retail customers that are served by utilities taking transmission service in most other MISO pricing zones do not experience significant cost shifts through the Attachment FF cost allocation mechanism because interconnection customers in most other MISO pricing zones are reimbursed no more than 10% of the cost of Generator Interconnection Project network upgrades, thereby greatly limiting the Generator Interconnection

Project network upgrade costs that can be passed to transmission customers in those zones and that are ultimately borne by those transmission customer's retail rate-paying customers.

If the cost of the Generator Interconnection Project network upgrades in the ITCM pricing zone were more modest, resulting in a smaller cost shift from ITCM's interconnection service customers to IPL and its retail customers, then the cost shift reasonably could be considered to be discriminatory, but not unduly discriminatory. While FPA § 206 does not proscribe rate treatment that is merely discriminatory, the statute bars rate treatment that is *unduly discriminatory*. The magnitude of a particular rate treatment is relevant to distinguishing between whether the rate treatment is discriminatory or unduly discriminatory.

MISO Tariff Attachment FF, § III.A.2.d.4, as it is applied in the ITCM pricing zone and impacts IPL and its retail customers, has caused a rate impact estimated to be approximately \$32.4 million in incremental costs from 2008 through 2011. In other words, by permitting ITCM to reimburse its interconnection service customers 100% of their reimbursable costs for Generator Interconnection Project network upgrades, Attachment FF, § III.A.2.d.4, has permitted ITCM to shift an estimated \$32.4 million of incremental interconnection-related costs from its interconnection service customers to IPL's retail customers over the last four year period. Further, IPL estimates that by the end of 2016, as much as approximately \$170.5 million of cost will be shifted to IPL customers. The effect of that treatment is unduly discriminatory to IPL's retail customers in comparison with retail customers who are served by utilities that take transmission service in most other MISO pricing zones, who ultimately would bear no more than 10% of the cost of those Generator Interconnection Project network upgrades.

IPL acknowledges that FERC has held, including in the ITCM Attachment FF Order, that interconnection-related network upgrades can provide indirect benefits to customers, including in

the form of improved reliability, improved ability to export generation due to counterflows that are created by the exporting generator, and reduced locational marginal prices (“LMPs”).<sup>23</sup> The existence of such benefits is fact specific; some Generator Interconnection Project network upgrades may improve reliability or increase transmission system capacity, and others may have no impact other than to permit the generator to interconnect its generating facility and inject and deliver energy on the transmission system.

In the case of the Generator Interconnection Project network upgrades in the ITCM pricing zone constructed during the period 2008 through 2011, IPL does not have evidence that overall transmission system reliability has materially improved as the result of the Generator Interconnection Project network upgrades for which ITCM has reimbursed its generator interconnection service customers 100% of their reimbursable costs; that it or any other generator in the ITCM pricing zone has experienced an improved ability to export power due to counterflows; that LMPs have been materially reduced as a result of generation added due to reimbursable Generator Interconnection Project network upgrades; or that any other significant benefit has accrued to IPL or its customers. Most of the projects identified as network upgrades and associated with Generator Interconnect Projects within the ITCM footprint from 2008 through 2011 have been for breaker additions, switching stations, or line taps. These types of investments provide no improvement to overall system reliability and only serve to allow for the interconnection of the generator with the transmission system. While IPL has seen a general reduction trend in the number of sustained transmission outages since 2009 (the first full year ITCM assumed operation of the 69kV and above systems), IPL does not believe that this effect is closely correlated to the generator interconnections made since then but rather arises from

---

23. See, e.g., ITCM Attachment FF Order at P 18.

network improvements made by ITCM that are unrelated to generator interconnections. To the contrary, IPL has noticed an increase in pockets of congestion since ITCM took over operation of the 69kV and above transmission system, likely attributable to ITCM work in progress. While IPL has noticed lower LMPs following the downturn in the economy in recent years, IPL has not seen discernable reduction in LMPs or lower energy costs for IPL customers that is attributable to the interconnection of generators with the ITCM transmission system and the related development of Generator Interconnection Project network upgrades. On balance based on its experience, IPL believes that it and its customers have not experienced benefits commensurate with the materially large cost of Generator Interconnection Project network upgrades that Attachment FF, § III.A.2.d.4, has shifted to IPL and its customers.

The huge size of the cost shift arising under Attachment FF, § III.A.2.d.4, coupled with the lack of discernible benefits commensurate with those costs, is enough to require further investigation of that provision of the MISO Tariff. IPL therefore requests FERC to set for investigation the justness and reasonableness of MISO Tariff Attachment FF, § III.A.2.d.4, and establish hearing procedures. If FERC determines that MISO Tariff Attachment FF, § III.A.2.d.4, is unjust and unreasonable, it should direct ITCM to file revisions to that provision to conform it with the cost recovery provisions of MISO Tariff Attachment FF applicable to most other MISO pricing zones.

**IV. REQUIREMENTS UNDER 18 C.F.R. § 385.206****A. Communications**

IPL requests that service be made upon, and communications be directed to, the persons below:

Cortlandt C. Choate Jr.  
Senior Attorney  
Alliant Energy Corporate Services, Inc.  
4902 N. Biltmore Lane  
Madison, WI 53718  
T: (608) 458-6217  
cortlandtchoate@alliantenergy.com

Michael C. Griffen  
Morgan, Lewis & Bockius LLP  
1111 Pennsylvania Avenue, N.W.  
Washington, D.C. 20004  
T: (202) 739-5257  
mgriffen@morganlewis.com

**B. Other Proceedings**

The matters in this complaint are not the subject of any other proceedings before FERC or any other judicial or administrative body to which IPL is a party.

**C. Negotiations Among Parties**

The matters in this complaint are not currently the subject of active negotiations between IPL and ITCM. IPL met with and communicated with ITCM on several occasions to convey its concerns with MISO Tariff Attachment FF, § III.A.2.d.4, but IPL's efforts to seek a change to that provision of the MISO Tariff were unsuccessful. In addition, IPL attempted to engage MISO, ITCM, and other MISO members through the MISO stakeholder process to consider and address IPL's concerns with Attachment FF, § III.A.2.d.4. Despite communications in person and in writing to MISO to request initiation of a stakeholder process to address the unduly discriminatory aspects of MISO Tariff Attachment FF, IPL's efforts to commence a MISO stakeholder process that would be effective in addressing the issue were unsuccessful.<sup>24</sup>

---

24. On June 4, 2012, counsel for IPL requested MISO in writing to initiate a MISO stakeholder process with the objective of causing a change to MISO Tariff Attachment FF. On September 7, 2012, counsel for MISO responded in writing to advise that it does not believe that MISO possesses the authority to file an amendment to the MISO Tariff under FPA Section 205 to implement a

Because IPL's attempts to resolve its concerns with respect to Attachment FF, § III.A.2.d.4, with ITCM and MISO, IPL is compelled to commence a formal proceeding by filing this complaint pursuant to FPA § 206. IPL does not believe that it would be an efficient use of FERC's or the parties' resources for FERC to direct the parties to attempt to resolve the issues in this complaint through further negotiations or FERC's alternative dispute resolution processes.

**D. Financial Impact**

The impact of Attachment FF, § III.A.2.d.4, to IPL and its customers from 2008 through 2011 is estimated to be approximately \$32.4 million in incremental costs. Future impacts are projected to total approximately \$138.1 million of additional cost that will be shifted to IPL and IPL customers during 2012-2016, for a total of approximately \$170.5 million of additional costs.

**E. Service and Form of Notice**

Contemporaneous with filing, IPL is serving by e-mail and first class mail a copy of this complaint upon ITCM and the individuals identified on the attached certificate of service. A proposed form of notice of complaint suitable for publication in the Federal Register is provided.

---

change to MISO Tariff Attachment FF. Copies of the correspondence between counsel for IPL and MISO are provided as Attachment A.

**V. CONCLUSION**

The unduly discriminatory nature of Attachment FF, § III.A.2.d.4, harms IPL and its customers. FERC therefore should grant this complaint and (1) set for investigation the justness and reasonableness of MISO Tariff Attachment FF, § III.A.2.d.4; (2) establish a refund effective date of September 14, 2012, with respect to this complaint; and (3) establish hearing procedures. If FERC determines that MISO Tariff Attachment FF, § III.A.2.d.4 is unjust and unreasonable, it should direct ITCM to file revisions to that provision to conform it with the cost recovery provisions of MISO Tariff Attachment FF applicable to most other MISO pricing zones.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "M. Griffen", with a stylized flourish at the end.

Michael C. Griffen  
Attorney for Interstate Power and Light Company

September 14, 2012

**UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION**

<b>Interstate Power and Light Company,</b>	)	<b>Docket No. EL12-_____</b>
	)	
<b>Complainant,</b>	)	
	)	
<b>v.</b>	)	
	)	
<b>ITC Midwest, LLC,</b>	)	
	)	
<b>Respondent.</b>	)	
	)	

**Affidavit of Randy Bauer**

**STATE OF IOWA            )**  
**COUNTY OF LINN        )        ss:**

Randy Bauer, being first duly sworn, and deposes and states as follows:

1. I serve as Director of Resource Planning for Interstate Power and Light Company (“IPL”). In that capacity I have knowledge and information about the costs IPL incurs for transmission service on the transmission system owned by ITC Midwest, LLC (“ITCM”), which formerly was owned by IPL before IPL transferred the system to ITCM in 2007.

2. IPL takes network integration transmission service on the ITCM transmission service to serve IPL’s retail customers located in Iowa and Minnesota. IPL’s retail rates established under the authority of the Iowa Utilities Board and Minnesota Public Utilities Commission cause its network transmission service costs incurred under the MISO Tariff to be passed through to its retail customers. ITCM provides such service under rates, terms, and conditions established in the Open Access Transmission, Energy and Operating Reserve Markets Tariff (“MISO Tariff”) of Midwest Independent Transmission System Operator, Inc. (“MISO”).

3. IPL's customer load on the ITCM transmission system, which constitutes a pricing zone in the MISO transmission system, represents approximately 92% of ITCM's total load in the ITCM pricing zone, but approximately 88% of the joint rate zone load that includes Great River Energy, the Southern Minnesota Municipal Power Agency and the Central Minnesota Municipal Power Agency. As the largest transmission service customer in the ITCM pricing zone, comprising approximately 88% of the network load in the ITCM pricing zone, IPL pays approximately 88% of ITCM's annual revenue requirements through its MISO Tariff Attachment O cost recovery formula rate and approximately 88% of MISO Tariff Schedule 26 costs allocated to the ITCM pricing zone.

4. MISO Tariff Attachment FF provides the terms and conditions under which transmission providers may allocate and recover the costs of network upgrades constructed on their transmission systems, including network upgrades constructed in connection with Generator Interconnections Projects. Under the general rule of Attachment FF applicable to Generator Interconnection Projects that interconnect with most other MISO transmission owners in MISO pricing zones outside the ITCM pricing zone, interconnection customers are eligible to be repaid up to 10% of the costs of the Generator Interconnection Project network upgrades funded by the customer once commercial operation of the customer's generating facility is achieved. MISO Tariff Attachment FF, § III.A.2.d.1.

5. MISO Tariff Attachment FF § III.A.2.d.4, which is applicable in the ITCM pricing zone, establishes a cost recovery protocol for Generator Interconnection Project network upgrades in the ITCM transmission system that makes ITCM's interconnection customers eligible to be repaid up to 100% of the reimbursable costs associated with the Generator

Interconnection Project network upgrades identified as necessary to interconnect those generator projects and funded by those customers. MISO Tariff Attachment FF § III.A.2.d.4.

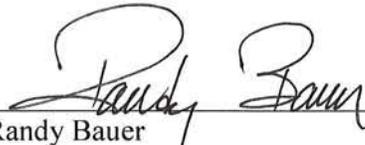
6. IPL conducted an analysis to determine the costs incurred by IPL and its customers arising from the 100% cost reimbursement policy for Generator Interconnection Project network upgrades under MISO Tariff Attachment FF, § III.A.2.d.4, which is applicable in the ITCM pricing zone, in contrast to the 10% cost reimbursement policy for Generator Interconnection Project network upgrades under MISO Tariff Attachment FF, § III.A.2.d.1, which is applicable in most MISO pricing zones outside the ITCM pricing zone. The following table summarizes IPL's analysis, which is shown in the spreadsheets that accompany my affidavit:

Year	Estimated total Cost Paid by IPL under MISO Tariff Attachment FF, § III.A.2.d.1	Estimated Total Incremental Costs Paid by IPL Under MISO Tariff Attachment FF, § III.A.2.d.4	Estimated total Generator Interconnection Costs Paid by IPL
2008	\$ 650,854	\$ 650,854	\$ 1,301,709
2009	\$ 3,912,418	\$ 3,912,418	\$ 7,824,835
2010	\$ 3,812,952	\$ 12,777,348	\$ 16,590,300
2011	\$ 3,913,294	\$ 15,068,424	\$ 18,981,718
<b>Total</b>	<b>\$ 12,289,518</b>	<b>\$ 32,409,045</b>	<b>\$ 44,698,563</b>
2012	\$ 3,813,828	\$ 20,094,710	\$ 23,908,538
2013	\$ 3,714,363	\$ 25,090,891	\$ 28,805,254
2014	\$ 3,614,897	\$ 28,932,875	\$ 32,547,772
2015	\$ 3,515,431	\$ 30,954,520	\$ 34,469,952
2016	\$ 3,415,965	\$ 33,019,493	\$ 36,435,458
<b>Total*</b>	<b>\$ 18,074,484</b>	<b>\$ 138,092,490</b>	<b>\$ 156,166,974</b>
<b>2008 - 2016 Totals</b>	<b>\$ 30,364,003</b>	<b>\$ 170,501,535</b>	<b>\$ 200,865,537</b>

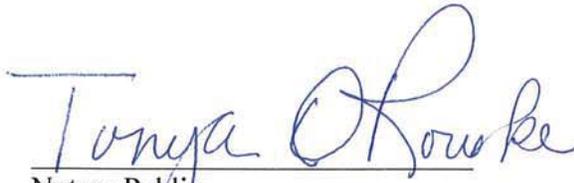
7. IPL's analysis shows that the effect of Attachment FF, § III.A.2.d.4, is to cause significant costs – estimated to be approximately \$32.4 million for 2008 through 2011, and

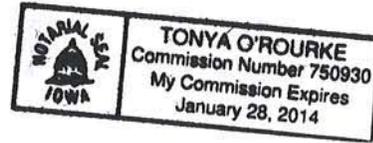
approximately \$170.5 million through 2016 – to be shifted from ITCM’s interconnection service customers to IPL and its retail customers in comparison with the costs that would be borne by IPL and its customers under MISO Tariff Attachment FF, § III.A.2.d.1.

Dated this 13th day of September, 2012.

  
\_\_\_\_\_  
Randy Bauer  
Director of Resource Planning  
Interstate Power and Light Company

Sworn to and subscribed before me  
this 13th day of September, 2012.

  
\_\_\_\_\_  
Notary Public



### Summary of ITC Midwest Attachment FF Policy Costs to IPL

Year	Estimated total Cost Paid by IPL under MISO "Standard" Attachment FF	Estimated Total Incremental Costs Paid by IPL Under ITCM Attachment FF	Estimated total Generator Interconnection Costs Paid by IPL
2008	\$ 650,854	\$ 650,854	\$ 1,301,709
2009	\$ 3,912,418	\$ 3,912,418	\$ 7,824,835
2010	\$ 3,812,952	\$ 12,777,348	\$ 16,590,300
2011	\$ 3,913,294	\$ 15,068,424	\$ 18,981,718
<b>Total</b>	<b>\$ 12,289,518</b>	<b>\$ 32,409,045</b>	<b>\$ 44,698,563</b>
2012	\$ 3,813,828	\$ 20,094,710	\$ 23,908,538
2013	\$ 3,714,363	\$ 25,090,891	\$ 28,805,254
2014	\$ 3,614,897	\$ 28,932,875	\$ 32,547,772
2015	\$ 3,515,431	\$ 30,954,520	\$ 34,469,952
2016	\$ 3,415,965	\$ 33,019,493	\$ 36,435,458
<b>Total*</b>	<b>\$ 18,074,484</b>	<b>\$ 138,092,490</b>	<b>\$ 156,166,974</b>
<b>2008 - 2016 Totals</b>			
	<b>\$ 30,364,003</b>	<b>\$ 170,501,535</b>	<b>\$ 200,865,537</b>

\*Note: Assumes all network upgrades for 2012 - 2016 are below 345 kV

Interstate Power and Light  
 Estimate of Transmission Revenue Requirements Associated with Generator Interconnection Projects - 2008  
**Simplified Example --**  
 Ignores Accumulated Deferred Income Taxes

		Attachment FF Treatment 50% or 100%	Total Embedded in Transmission Rates	Estimated Depreciation Expense 2008 @ 2.50%	Estimated Total Accum. Deprec 2008	YE Estimated Net Plant In Service 2008	2008 Attachment O After Tax Cost of Capital 9.62%	Income Tax Gross - Up Multiplier 1.7077	Revenue Requirement Associated with Return and Taxes	Incremental versus Standard MISO Policy	Approximate Incremental Impact Relative to the Rest of MISO	
	[A]	[B]	[C] = [A * B]	[D] = (C * DR) DR=Depreciation Rate	[E] = -(D)	[F] = (C + E)	[G] = (F * COC) COC = Cost of Capital	[H]	[I] = (G * H)	[J]	[K] = (I * J)	
<b>Data Source for cost information</b>												
2008 G172 - Mitchell County 345 kV Switching Station	ITCM 2008 True-up Q&A	\$ 6,353,912	100%	\$ 6,353,912	\$ 79,424	\$ (79,424)	\$ 6,274,488	\$ 603,606	1.7077	1,030,778	50%	\$ 515,389
G172 - Mitchell County Transmission Line	ITCM 2008 True-up Q&A	\$ 1,198,835	100%	\$ 1,198,835	\$ 14,985	\$ (14,985)	\$ 1,183,850	\$ 113,886	1.7077	194,484	50%	\$ 97,242
G595 - Lime Creek Breaker Add for Crystal Lake Wind	ITCM 2008 True-up Q&A	\$ 582,317	100%	\$ 582,317	\$ 7,279	\$ (7,279)	\$ 575,038	\$ 55,319	1.7077	94,468	50%	\$ 47,234
G595 - Mason City Lime Creek Sub Add FPL	ITCM 2008 True-up Q&A	\$ 906,678	100%	\$ 906,678	\$ 11,333	\$ (11,333)	\$ 895,345	\$ 86,132	1.7077	147,088	50%	\$ 73,544
G540/G548 - Barton 161 kV Line Tap	ITCM 2008 True-up Q&A	\$ 76,422	100%	\$ 76,422	\$ 955	\$ (955)	\$ 75,467	\$ 7,260	1.7077	12,398	50%	\$ 6,199
Cumulative		<u>\$ 9,118,165</u>		<u>\$ 9,118,165</u>	<u>\$ 113,977</u>	<u>\$ (113,977)</u>	<u>\$ 9,004,188</u>	<u>\$ 866,203</u>		<u>\$ 1,479,215</u>		<u>\$ 739,607</u>

**Estimated cost to IPL\* \$ 650,854.43**

Notes:

- 1) Per MISO, GIP shared 50/50 (50% of re-imburseable GIP costs recovered under Attachment GG/Schedule 26 rates, 50% recovered under Attachment O/Schedule 9 rates)
  - 2) IPL was re-imbursed \$2,866,231 for network upgrades associated with Whispering Willow East
  - 3) The revenue requirement amounts (column I) reflect the total associated with the projects. The "incremental" cost to ITC-M transmission rate customers (column K), as compared to the rest of MISO, was calculated by backing off the standard MISO policy (column J).
  - 4) Assumes that depreciation expense, and incremental point-to-point revenues would have occurred regardless of the interconnection reimbursement policy.
  - 5) Attachment GG costs are assumed the most up to date and accurate source of data, followed by ITCM presentations; the GIA cost estimates are used only where the other data is not readily available
- \*Assumes ITCM recovers approximately 88% of Annual Revenue Requirement from IPL

Interstate Power and Light  
Estimate of Transmission Revenue Requirements Associated with Generator Interconnection Projects - 2009  
**Simplified Example --**  
Ignores Accumulated Deferred Income Taxes

		Attachment FF Treatment 50% or 100%	Total Embedded in Transmission Rates	Estimated Depreciation Expense 2009 @ 2.50%	Estimated Total Accum. Deprec 2009	YE Estimated Net Plant In Service 2009	2009 Attachment O After Tax Cost of Capital 9.62%	Income Tax Gross - Up Multiplier 1.7077	Revenue Requirement Associated with Return and Taxes	Incremental versus Standard MISO Policy	Approximate Incremental Impact Relative to the Rest of MISO
	[A]	[B]	[C] = [A * B]	[D] = (C * DR) DR=Depreciation Rate	[E] = -(D)	[F] = (C + E)	[G] = (F * COC) COC = Cost of Capital	[H]	[I] = (G * H)	[J]	[K] = (I * J)
<b>2008</b> See 2008 details tab	<b>Data Source for cost information</b>										
	\$ 9,118,165		\$ 9,004,188	\$ 227,954	\$ (227,954)	\$ 8,776,234	\$ 844,274	1.7077	\$ 1,441,766	50%	\$ 720,883
<b>2009</b> G538 - Triboji - Milford 69 KV line re-build	Attachment GG - MTEP Project ID 1775	\$ 4,022,028	100% \$ 4,022,028	\$ 50,275	\$ (50,275)	\$ 3,971,753	\$ 382,083	1.7077	\$ 652,482.46	50%	\$ 326,241
G540/548 Switching Station	ITCM 2009 Attachment O Presentation	\$ 1,226,331	100% \$ 1,226,331	\$ 15,329	\$ (15,329)	\$ 1,211,002	\$ 116,498	1.7077	\$ 198,944.28	50%	\$ 99,472
G612 - Story County 1 - Mtown - Boone re-build/convert	Attachment GG - MTEP Project ID 2339	\$ 40,675,450	100% \$ 40,675,450	\$ 508,443	\$ (508,443)	\$ 40,167,007	\$ 3,864,066	1.7077	\$ 6,598,665.61	50%	\$ 3,299,333
	\$ 45,923,809		\$ 45,923,809	\$ 574,048	\$ (574,048)	\$ 45,349,761	\$ 4,362,647		\$ 7,450,092		\$ 3,725,046
Cumulative	\$ 55,041,974		\$ 54,927,997	\$ 802,002	\$ (802,002)	\$ 54,125,995	\$ 5,206,921		\$ 8,891,859		\$ 4,445,929

Estimated cost to IPL\* \$ 3,912,417.74

Notes:

- 1) Per MISO, GIP shared 50/50 (50% of re-imburseable GIP costs recovered under Attachment GG/Schedule 26 rates, 50% recovered under Attachment O/Schedule 9 rates)
  - 2) IPL was re-imbursed \$2,866,231 for network upgrades associated with Whispering Willow East
  - 3) The revenue requirement amounts (column I) reflect the total associated with the projects. The "incremental" cost to ITC-M transmission rate customers (column K), as compared to the rest of MISO, was calculated by backing off the standard MISO policy (column J).
  - 4) Assumes that depreciation expense, and incremental point-to-point revenues would have occurred regardless of the interconnection reimbursement policy.
  - 5) Attachment GG costs are assumed the most up to date and accurate source of data, followed by ITCM presentations; the GIA cost estimates are used only where the other data is not readily available
- \*Assumes ITCM recovers approximately 88% of Annual Revenue Requirement from IPL

Interstate Power and Light  
Estimate of Transmission Revenue Requirements Associated with Generator Interconnection Projects - 2010  
**Simplified Example --**  
Ignores Accumulated Deferred Income Taxes

	Attachment FF Treatment 50% or 100%	Total Embedded in Transmission Rates	Estimated Depreciation Expense 2010 @ 2.50%	Estimated Total Accum. Deprec 2010	YE Estimated Net Plant In Service 2010	2010 Attachment O After Tax Cost of Capital 9.62%	Income Tax Gross - Up Multiplier 1.7077	Revenue Requirement Associated with Return and Taxes	Incremental versus Standard MISO Policy	Approximate Incremental Impact Relative to the Rest of MISO	
	[A]	[B]	[C] = [A * B]	[D] = (C * DR) DR=Depreciation Rate	[E] = -(D)	[F] = (C + E)	[G] = (F * COC) COC = Cost of Capital	[H]	[I] = (G * H)	[J]	[K] = (I * J)
<b>2008</b> See 2008 details tab	\$ 9,118,165	100%	\$ 8,776,234	\$ 227,954	\$ (227,954)	\$ 8,548,279	\$ 822,344	1.7077	\$ 1,404,317.67	50%	\$ 702,159
<b>2009</b> See 2009 details tab	\$ 45,923,809	100%	\$ 45,349,761	\$ 1,148,095	\$ (1,148,095)	\$ 44,201,666	\$ 4,252,200	1.7077	\$ 7,261,482.43	50%	\$ 3,630,741
<b>2010</b> G595 and G540/G548 Network Upgrades	\$ 52,056,230	100%	\$ 52,056,230	\$ 650,703	\$ (650,703)	\$ 51,405,527	\$ 4,945,212	1.7077	\$ 8,444,938.04	100%	\$ 8,444,938
G604 - Seele Co., MN 69 kV switching station	\$ 2,482,816	100%	\$ 2,482,816	\$ 31,035	\$ (31,035)	\$ 2,451,781	\$ 235,861	1.7077	\$ 402,780.36	100%	\$ 402,780
G870 - Bent Tree Windfarm - 161 kV switching station	\$ 3,796,658	100%	\$ 3,796,658	\$ 47,458	\$ (47,458)	\$ 3,749,200	\$ 360,673	1.7077	\$ 615,921.31	100%	\$ 615,921
G298 - Triboji 100 MW Wind - 161 kV switching station	\$ 4,457,786	100%	\$ 4,457,786	\$ 55,722	\$ (55,722)	\$ 4,402,064	\$ 423,479	1.7077	\$ 723,174.28	100%	\$ 723,174
ITCM 2010 Attachment O Meeting	\$ 62,793,490		\$ 784,919	\$ (784,919)	\$ 62,008,571	\$ 5,965,225			\$ 10,186,814		\$ 10,186,814
Cumulative	\$ 117,835,464		\$ 116,919,485	\$ 2,160,968	\$ (2,160,968)	\$ 114,758,517	\$ 11,039,769		\$ 18,852,614		\$ 14,519,714

Estimated cost to IPL\* \$ 12,777,348.36

Notes:

- 1) Per MISO, GIP shared 50/50 (50% of re-imbursable GIP costs recovered under Attachment GG/Schedule 26 rates, 50% recovered under Attachment O/Schedule 9 rates)
  - 2) IPL was re-imbursed \$2,866,231 for network upgrades associated with Whispering Willow East
  - 3) The revenue requirement amounts (column I) reflect the total associated with the projects. The "incremental" cost to ITC-M transmission rate customers (column K), as compared to the rest of MISO, was calculated by backing off the standard MISO policy (column J).
  - 4) Assumes that depreciation expense, and incremental point-to-point revenues would have occurred regardless of the interconnection reimbursement policy.
  - 5) Attachment GG costs are assumed the most up to date and accurate source of data, followed by ITCM presentations; the GIA cost estimates are used only where the other data is not readily available
- \*Assumes ITCM recovers approximately 88% of Annual Revenue Requirement from IPL

Interstate Power and Light  
Estimate of Transmission Revenue Requirements Associated with Generator Interconnection Projects - 2011  
**Simplified Example --**  
Ignores Accumulated Deferred Income Taxes

	Attachment FF Treatment 50% or 100%	Total Embedded in Transmission Rates	Estimated Depreciation Expense 2011 @ 2.50%	Estimated Total Accum. Deprec 2011	YE Estimated Net Plant In Service 2011	2011 Attachment O After Tax Cost of Capital 9.62%	Income Tax Gross - Up Multiplier 1.7077	Revenue Requirement Associated with Return and Taxes	Incremental versus Standard MISO Policy	Approximate Incremental Impact Relative to the Rest of MISO	
	[A]	[B]	[C] = [A * B]	[D] = (C * DR) DR=Depreciation Rate	[E] = -(D)	[F] = (C + E)	[G] = (F * COC) COC = Cost of Capital	[H]	[I] = (G * H)	[J]	[K] = (I * J)
<b>Data Source for cost information</b>											
2008 See 2008 details tab	\$ 9,118,165	100%	\$ 8,548,279	\$ 227,954	\$ (227,954)	\$ 8,320,325	\$ 800,415	1.7077	\$ 1,366,869.20	50%	\$ 683,435
2009 See 2009 details tab	\$ 45,923,809	100%	\$ 44,201,666	\$ 1,148,095	\$ (1,148,095)	\$ 43,053,571	\$ 4,141,754	1.7077	\$ 7,072,872.49	50%	\$ 3,536,436
2010 See 2010 details tab	\$ 62,793,490	100%	\$ 62,008,571	\$ 1,569,837	\$ (1,569,837)	\$ 60,438,734	\$ 5,814,206	1.7077	\$ 9,928,919.97	100%	\$ 9,928,920
2011 H007 - Elk Wind - Bond switching station	\$ 2,150,006	100%	\$ 2,150,006	\$ 26,875	\$ (26,875)	\$ 2,123,131	\$ 204,245	1.7077	\$ 348,790	100%	\$ 348,790
G164 - Lakefield - Convert Lakefield 345 kV to breaker and 1/2	\$ 13,996,056	100%	\$ 13,996,056	\$ 174,951	\$ (174,951)	\$ 13,821,105	\$ 1,329,590	1.7077	\$ 2,270,541	90%	\$ 2,043,487
G714 - 69 kV line tap	\$ 119,704	100%	\$ 119,704	\$ 1,496	\$ (1,496)	\$ 118,208	\$ 11,372	1.7077	\$ 19,419	100%	\$ 19,419
H078 - Laurel - 161 kV switching station	\$ 3,468,732	100%	\$ 3,468,732	\$ 43,359	\$ (43,359)	\$ 3,425,373	\$ 329,521	1.7077	\$ 562,723	100%	\$ 562,723
H078 GIA	\$ 19,734,498		\$ 19,734,498	\$ 246,681	\$ (246,681)	\$ 19,487,817	\$ 1,874,728		\$ 3,201,473		\$ 2,974,419
Cumulative	\$ 137,569,962		\$ 134,493,015	\$ 3,192,568	\$ (3,192,568)	\$ 131,300,447	\$ 12,631,103		\$ 21,570,135		\$ 17,323,210

Estimated cost to IPL\* **\$ 15,068,424.48**

Notes:

- 1) Per MISO, GIP shared 50/50 (50% of re-imburseable GIP costs recovered under Attachment GG/Schedule 26 rates, 50% recovered under Attachment O/Schedule 9 rates)
  - 2) IPL was re-imbursed \$2,866,231 for network upgrades associated with Whispering Willow East
  - 3) The revenue requirement amounts (column I) reflect the total associated with the projects. The "incremental" cost to ITC-M transmission rate customers (column K), as compared to the rest of MISO, was calculated by backing off the standard MISO policy (column J).
  - 4) Assumes that depreciation expense, and incremental point-to-point revenues would have occurred regardless of the interconnection reimbursement policy.
  - 5) Attachment GG costs are assumed the most up to date and accurate source of data, followed by ITCM presentations; the GIA cost estimates are used only where the other data is not readily available
- \*Assumes ITCM recovers approximately 88% of Annual Revenue Requirement from IPL

Interstate Power and Light  
 Estimate of Transmission Revenue Requirements Associated with Generator Interconnection Projects - 2012  
**Simplified Example --**  
 Ignores Accumulated Deferred Income Taxes

	Attachment FF Treatment 50% or 100%	Total Embedded in Transmission Rates	Estimated Depreciation Expense 2012 @ 2.50%	Estimated Total Accum. Deprec 2012	YE Estimated Net Plant In Service 2012	2012 Attachment O After Tax Cost of Capital 9.62%	Income Tax Gross - Up Multiplier 1.7077	Revenue Requirement Associated with Return and Taxes	Incremental versus Standard MISO Policy	Approximate Incremental Impact Relative to the Rest of MISO	
	[A]	[B]	[C] = [A * B]	[D] = (C * DR) DR=Depreciation Rate	[E] = -(D)	[F] = (C + E)	[G] = (F * COC) COC = Cost of Capital	[H]	[I] = (G * H)	[J]	[K] = (I * J)
2008 See 2008 details tab	\$ 9,118,165	100%	\$ 8,320,325	\$ 227,954	\$ (227,954)	\$ 8,092,371	\$ 778,486	1.7077	\$ 1,329,420.73	50%	\$ 664,710
2009 See 2009 details tab	\$ 45,923,809	100%	\$ 43,053,571	\$ 1,148,095	\$ (1,148,095)	\$ 41,905,476	\$ 4,031,307	1.7077	\$ 6,884,262.56	50%	\$ 3,442,131
2010 See 2010 details tab	\$ 62,793,490	100%	\$ 60,438,734	\$ 1,569,837	\$ (1,569,837)	\$ 58,868,897	\$ 5,663,188	1.7077	\$ 9,671,025.94	100%	\$ 9,671,026
2011 See 2011 details tab	\$ 19,734,498	100%	\$ 19,487,817	\$ 493,362	\$ (493,362)	\$ 18,994,454	\$ 1,827,267	1.7077	\$ 3,120,423.01	100%	\$ 2,893,369
Data comes from ITCM - GIP = 12.1%											
2012 total capital budget	\$ 37,994,000	100%	\$ 37,994,000	\$ 474,925	\$ (474,925)	\$ 37,519,075	\$ 3,609,335	1.7077	\$ 6,163,661.41	100%	\$ 6,163,661
Cumulative	\$ 175,563,962		\$ 169,294,447	\$ 3,914,174	\$ (3,914,174)	\$ 165,380,273	\$ 15,909,582		\$ 27,168,794		\$ 22,834,898

Estimated cost to IPL\* \$ 20,094,710.12

Notes:

- 1) Assumes that all new Generators 2012 - 2016 will be eligible and take advantage of ITCM Attachment FF 100% reimbursement policy
  - 2) The revenue requirement amounts (column I) reflect the total associated with the projects. The "incremental" cost to ITC-M transmission rate customers (column K), as compared to the rest of MISO, was calculated by backing off the standard MISO policy (column J).
- \*Assumes ITCM recovers approximately 88% of Annual Revenue Requirement from IPL

Interstate Power and Light  
Estimate of Transmission Revenue Requirements Associated with Generator Interconnection Projects - 2013  
**Simplified Example --**  
Ignores Accumulated Deferred Income Taxes

	Attachment FF Treatment 50% or 100%	Total Embedded in Transmission Rates	Estimated Depreciation Expense 2013 @ 2.50%	Estimated Total Accum. Deprec 2013	YE Estimated Net Plant In Service 2013	2013 Attachment O After Tax Cost of Capital 9.62%	Income Tax Gross - Up Multiplier 1.7077	Revenue Requirement Associated with Return and Taxes	Incremental versus Standard MISO Policy	Approximate Incremental Impact Relative to the Rest of MISO
[A]	[B]	[C] = [A * B]	[D] = (C * DR) DR=Depreciation Rate	[E] = -(D)	[F] = (C + E)	[G] = (F * COC) COC = Cost of Capital	[H]	[I] = (G * H)	[J]	[K] = (I * J)
2008 See 2008 details tab	100%	\$ 8,092,371	\$ 227,954	\$ (227,954)	\$ 7,864,417	\$ 756,557	1.7077	\$ 1,291,972.26	50%	\$ 645,986
2009 See 2009 details tab	100%	\$ 41,905,476	\$ 1,148,095	\$ (1,148,095)	\$ 40,757,380	\$ 3,920,860	1.7077	\$ 6,695,652.63	50%	\$ 3,347,826
2010 See 2010 details tab	100%	\$ 58,868,897	\$ 1,569,837	\$ (1,569,837)	\$ 57,299,060	\$ 5,512,170	1.7077	\$ 9,413,131.92	100%	\$ 9,413,132
2011 See 2011 details tab	100%	\$ 18,994,454	\$ 493,362	\$ (493,362)	\$ 18,501,092	\$ 1,779,805	1.7077	\$ 3,039,373.06	100%	\$ 2,812,319
2012 See 2012 details tab	100%	\$ 37,519,075	\$ 949,850	\$ (949,850)	\$ 36,569,225	\$ 3,517,959	1.7077	\$ 6,007,619.34	100%	\$ 6,007,619
Data comes from ITCM - GIP = 18.9%										
2013 total capital budget	100%	\$ 38,745,000	\$ 484,313	\$ (484,313)	\$ 38,260,688	\$ 3,680,678	1.7077	\$ 6,285,494.06	100%	\$ 6,285,494
Cumulative		\$ 214,308,962	\$ 4,873,412	\$ (4,873,412)	\$ 199,251,862	\$ 19,168,029		\$ 32,733,243		\$ 28,512,377

Estimated cost to IPL\* \$ 25,090,891.48

Notes:  
1) Assumes that all new Generators 2012 - 2016 will be eligible and take advantage of ITCM Attachment FF 100% reimbursement policy  
2) The revenue requirement amounts (column I) reflect the total associated with the projects. The "incremental" cost to ITC-M transmission rate customers (column K), as compared to the rest of MISO, was calculated by backing off the standard MISO policy (color \*Assumes ITCM recovers approximately 88% of Annual Revenue Requirement from IPL

Interstate Power and Light  
Estimate of Transmission Revenue Requirements Associated with Generator Interconnection Projects - 2014  
**Simplified Example --**  
Ignores Accumulated Deferred Income Taxes

	Attachment FF Treatment 50% or 100%	Total Embedded in Transmission Rates	Estimated Depreciation Expense 2014 @ 2.50%	Estimated Total Accum. Deprec 2014	YE Estimated Net Plant In Service 2014	2014 Attachment O After Tax Cost of Capital 9.62%	Income Tax Gross - Up Multiplier 1.7077	Revenue Requirement Associated with Return and Taxes	Incremental versus Standard MISO Policy	Approximate Incremental Impact Relative to the Rest of MISO	
	[A]	[C] = [A * B]	[D] = (C * DR) DR=Depreciation Rate	[E] = -(D)	[F] = (C + E)	[G] = (F * COC) COC = Cost of Capital	[H]	[I] = (G * H)	[J]	[K] = (I * J)	
2008 See 2008 details tab	\$ 9,118,165	100%	\$ 7,864,417	\$ 227,954	\$ (227,954)	\$ 7,636,463	\$ 734,628	1.7077	\$ 1,254,523.79	50%	\$ 627,262
2009 See 2009 details tab	\$ 45,923,809	100%	\$ 40,757,380	\$ 1,148,095	\$ (1,148,095)	\$ 39,609,285	\$ 3,810,413	1.7077	\$ 6,507,042.69	50%	\$ 3,253,521
2010 See 2010 details tab	\$ 62,793,490	100%	\$ 57,299,060	\$ 1,569,837	\$ (1,569,837)	\$ 55,729,222	\$ 5,361,151	1.7077	\$ 9,155,237.89	100%	\$ 9,155,238
2011 See 2011 details tab	\$ 19,734,498	100%	\$ 18,501,092	\$ 493,362	\$ (493,362)	\$ 18,007,729	\$ 1,732,344	1.7077	\$ 2,958,323.12	100%	\$ 2,731,269
2012 See 2012 details tab	\$ 37,994,000	100%	\$ 36,569,225	\$ 949,850	\$ (949,850)	\$ 35,619,375	\$ 3,426,584	1.7077	\$ 5,851,577.28	100%	\$ 5,851,577
2013 See 2013 details tab	\$ 38,745,000	100%	\$ 38,260,688	\$ 968,625	\$ (968,625)	\$ 37,292,063	\$ 3,587,496	1.7077	\$ 6,126,367.62	100%	\$ 6,126,368
Data comes from ITCM - GIP = 15.9%											
2014 total capital budget	\$ 31,641,000	100%	\$ 31,641,000	\$ 395,513	\$ (395,513)	\$ 31,245,488	\$ 3,005,816	1.7077	\$ 5,133,031.81	100%	\$ 5,133,032
Cumulative	\$ 245,949,962		\$ 230,892,862	\$ 5,753,237	\$ (5,753,237)	\$ 225,139,625	\$ 21,658,432		\$ 36,986,104		\$ 32,878,267

Estimated cost to IPL\* \$ 28,932,874.80

- Notes:
- 1) Assumes that all new Generators 2012 - 2016 will be eligible and take advantage of ITCM Attachment FF 100% reimbursement policy
  - 2) The revenue requirement amounts (column I) reflect the total associated with the projects. The "incremental" cost to ITC-M transmission rate customers (column K), as compared to the rest of MISO, was calculated by backing off the standard MISO policy (column J).
- \*Assumes ITCM recovers approximately 88% of Annual Revenue Requirement from IPL

Interstate Power and Light  
Estimate of Transmission Revenue Requirements Associated with Generator Interconnection Projects - 2015  
**Simplified Example --**  
Ignores Accumulated Deferred Income Taxes

	Attachment FF Treatment 50% or 100%	Total Embedded in Transmission Rates	Estimated Depreciation Expense 2015 @ 2.50%	Estimated Total Accum. Deprec 2015	YE Estimated Net Plant In Service 2015	2015 Attachment O After Tax Cost of Capital 9.62%	Income Tax Gross - Up Multiplier 1.7077	Revenue Requirement Associated with Return and Taxes	Incremental versus Standard MISO Policy	Approximate Incremental Impact Relative to the Rest of MISO
[A]	[B]	[C] = [A * B]	[D] = (C * DR) DR=Depreciation Rate	[E] = -(D)	[F] = (C + E)	[G] = (F * COC) COC = Cost of Capital	[H]	[I] = (G * H)	[J]	[K] = (I * J)
2008 See 2008 details tab	100%	\$ 7,636,463	\$ 227,954	\$ (227,954)	\$ 7,408,509	\$ 712,699	1.7077	\$ 1,217,075.32	50%	\$ 608,538
2009 See 2009 details tab	100%	\$ 39,609,285	\$ 1,148,095	\$ (1,148,095)	\$ 38,461,190	\$ 3,699,966	1.7077	\$ 6,318,432.76	50%	\$ 3,159,216
2010 See 2010 details tab	100%	\$ 55,729,222	\$ 1,569,837	\$ (1,569,837)	\$ 54,159,385	\$ 5,210,133	1.7077	\$ 8,897,343.87	100%	\$ 8,897,344
2011 See 2011 details tab	100%	\$ 18,007,729	\$ 493,362	\$ (493,362)	\$ 17,514,367	\$ 1,684,882	1.7077	\$ 2,877,273.17	100%	\$ 2,650,219
2012 See 2012 details tab	100%	\$ 35,619,375	\$ 949,850	\$ (949,850)	\$ 34,669,525	\$ 3,335,208	1.7077	\$ 5,695,535.22	100%	\$ 5,695,535
2013 See 2013 details tab	100%	\$ 37,292,063	\$ 968,625	\$ (968,625)	\$ 36,323,438	\$ 3,494,315	1.7077	\$ 5,967,241.19	100%	\$ 5,967,241
2014 See 2014 details tab	100%	\$ 31,245,488	\$ 791,025	\$ (791,025)	\$ 30,454,463	\$ 2,929,719	1.7077	\$ 5,003,081.64	100%	\$ 5,003,082
Data comes from ITCM - GIP = 9.7%										
2015 total capital budget	100%	\$ 19,691,000	\$ 246,138	\$ (246,138)	\$ 19,444,863	\$ 1,870,596	1.7077	\$ 3,194,416.40	100%	\$ 3,194,416
Cumulative		\$ 244,830,625	\$ 6,394,887	\$ (6,394,887)	\$ 238,435,738	\$ 22,937,518		\$ 39,170,400		\$ 35,175,591

Estimated cost to IPL\* **\$ 30,954,520.42**

Notes:  
1) Assumes that all new Generators 2012 - 2016 will be eligible and take advantage of ITCM Attachment FF 100% reimbursement policy  
2) The revenue requirement amounts (column I) reflect the total associated with the projects. The "incremental" cost to ITC-M transmission rate customers (column K), as compared to the rest of MISO, was calculated by backing off the standard MISO policy (column J).  
\*Assumes ITCM recovers approximately 88% of Annual Revenue Requirement from IPL

Interstate Power and Light  
Estimate of Transmission Revenue Requirements Associated with Generator Interconnection Projects - 2016  
**Simplified Example –**  
Ignores Accumulated Deferred Income Taxes

	Attachment FF Treatment 50% or 100%	Total Embedded in Transmission Rates	Estimated Depreciation Expense 2016 @ 2.50%	Estimated Total Accum. Deprec 2016	YE Estimated Net Plant In Service 2016	2016 Attachment O After Tax Cost of Capital 9.62%	Income Tax Gross - Up Multiplier 1.7077	Revenue Requirement Associated with Return and Taxes	Incremental versus Standard MISO Policy	Approximate Incremental Impact Relative to the Rest of MISO	
	[A]	[B]	[C] = [A * B]	[D] = (C * DR) DR=Depreciation Rate	[E] = -(D)	[F] = (C + E)	[G] = (F * COC) COC = Cost of Capital	[H]	[I] = (G * H)	[J]	[K] = (I * J)
2008 See 2008 details tab	\$ 9,118,165	100%	\$ 7,408,509	\$ 227,954	\$ (227,954)	\$ 7,180,555	\$ 690,769	1.7077	\$ 1,179,626.84	50%	\$ 589,813
2009 See 2009 details tab	\$ 45,923,809	100%	\$ 38,461,190	\$ 1,148,095	\$ (1,148,095)	\$ 37,313,095	\$ 3,589,520	1.7077	\$ 6,129,822.83	50%	\$ 3,064,911
2010 See 2010 details tab	\$ 62,793,490	100%	\$ 54,159,385	\$ 1,569,837	\$ (1,569,837)	\$ 52,589,548	\$ 5,059,115	1.7077	\$ 8,639,449.84	100%	\$ 8,639,450
2011 See 2011 details tab	\$ 19,734,498	100%	\$ 17,514,367	\$ 493,362	\$ (493,362)	\$ 17,021,005	\$ 1,637,421	1.7077	\$ 2,796,223.22	100%	\$ 2,569,169
2012 See 2012 details tab	\$ 37,994,000	100%	\$ 34,669,525	\$ 949,850	\$ (949,850)	\$ 33,719,675	\$ 3,243,833	1.7077	\$ 5,539,493.16	100%	\$ 5,539,493
2013 See 2013 details tab	\$ 38,745,000	100%	\$ 36,323,438	\$ 968,625	\$ (968,625)	\$ 35,354,813	\$ 3,401,133	1.7077	\$ 5,808,114.76	100%	\$ 5,808,115
2014 See 2014 details tab	\$ 31,641,000	100%	\$ 30,454,463	\$ 791,025	\$ (791,025)	\$ 29,663,438	\$ 2,853,623	1.7077	\$ 4,873,131.46	100%	\$ 4,873,131
2015 See 2015 details tab	\$ 19,691,000	100%	\$ 19,444,863	\$ 492,275	\$ (492,275)	\$ 18,952,588	\$ 1,823,239	1.7077	\$ 3,113,545.10	100%	\$ 3,113,545
Data comes from ITCM - GIP = 9.9%											
2016 total capital budget	\$ 20,493,000	100%	\$ 20,493,000	\$ 256,163	\$ (256,163)	\$ 20,236,838	\$ 1,946,784	1.7077	\$ 3,324,522.64	100%	\$ 3,324,523
Cumulative	\$ 286,133,962		\$ 258,928,738	\$ 6,897,187	\$ (6,897,187)	\$ 252,031,552	\$ 24,245,435		\$ 41,403,930		\$ 37,522,151

Estimated cost to IPL\* \$ 33,019,492.77

Notes:  
1) Assumes that all new Generators 2012 - 2016 will be eligible and take advantage of ITCM Attachment FF 100% reimbursement policy  
2) The revenue requirement amounts (column I) reflect the total associated with the projects. The "incremental" cost to ITC-M transmission rate customers (column K), as compared to the rest of MISO, was calculated by backing off the standard MISO policy (column J).  
\*Assumes ITCM recovers approximately 88% of Annual Revenue Requirement from IPL

Morgan, Lewis & Bockius LLP  
1111 Pennsylvania Avenue, NW  
Washington, DC 20004  
Tel. 202.739.3000  
Fax: 202.739.3001  
www.morganlewis.com

**Morgan Lewis**  
C O U N S E L O R S   A T   L A W

**Michael C. Griffen**  
(202) 739-5257  
mgriffen@morganlewis.com

June 4, 2012

**VIA eMAIL AND FIRST CLASS MAIL**

Arthur W. Iler  
Assistant General Counsel  
Midwest Independent Transmission System Operator, Inc.  
P.O. Box 4202  
Carmel, IN 46082-4202

RE: MISO Tariff Attachment FF

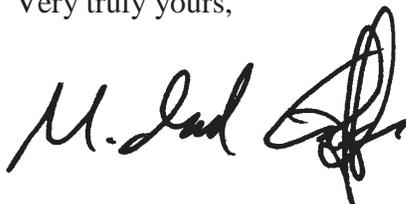
Dear Mr. Iler:

Interstate Power and Light Company (“IPL”) respectfully requests the opportunity to initiate a stakeholder process at Midwest Independent Transmission System Operator, Inc. (“MISO”), with respect to Attachment FF of the MISO Open Access Transmission, Energy and Operating Reserves Market Tariff (“Tariff”).

MISO Tariff Attachment FF applicable to ITC Midwest, LLC (“ITC Midwest”), and its customers unduly discriminates against IPL and other ITC Midwest customers. Under Attachment FF, ITC Midwest grants to generator interconnection service customers in the ITC Midwest zone 100% reimbursement of the cost of network upgrades associated with such customers’ generator interconnect projects. Such cost reimbursement treatment contrasts with the treatment granted generator interconnection customers in most other zones in the MISO region and places an unfair burden on IPL and other customers in the ITC Midwest zone.

IPL would like to meet with an appropriate MISO stakeholder committee to initiate a stakeholder process with the objective of causing a change to MISO Tariff Attachment FF. Please advise if MISO can arrange such a process.

Very truly yours,



Michael C. Griffen  
Attorney for Interstate Power and Light Company

Arthur W. Iler  
June 4, 2012  
Page 2

cc: Stephen G. Kozey, MISO  
Jennifer Curran, MISO  
Claire Moeller, MISO  
Randy Bauer, IPL  
Stacy Van Zante, IPL



Arthur W. Iler  
Assistant General Counsel  
Direct Dial: 317-249-5497  
E-mail: ailer@misoenergy.org

September 7, 2012

Michael C. Griffen, Esq.  
Morgan, Lewis & Bockius LLP  
1111 Pennsylvania Avenue, NW  
Washington, DC 20004

Re: MISO Tariff Attachment FF

Dear Mr. Griffen:

Thank you for your letter of June 4, 2012, in which you express concerns, on behalf of Interstate Power and Light Company ("IPL"), with certain provisions in Attachment FF of the MISO Tariff that are applicable to the facilities owned by ITC Midwest, LLC (ITC Midwest), and the impact of those provisions on IPL. Specifically, you are concerned with the provisions of Attachment FF that permit ITC Midwest to grant generator interconnection service customers in the ITC Midwest zone, 100 percent reimbursement of the cost of network upgrades associated with such customers' generator interconnect projects. With regard to this provision you assert that: "[s]uch cost reimbursement treatment contrasts with the treatment granted generator interconnection customers in most other zones in the MISO region and places an unfair burden on IPL and other customers in the ITC Midwest zone." To resolve this potential inequity you request that MISO direct IPL to the appropriate MISO stakeholder committees to effect a change in the tariff removing this provision and ask if MISO can arrange such a process.

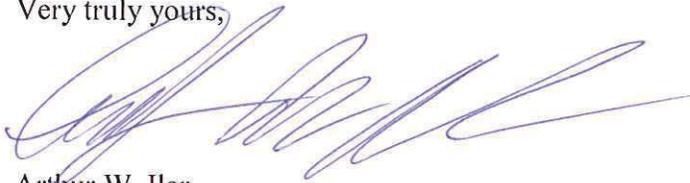
First, I would note that as a MISO stakeholder, IPL is free to pursue this matter with the relevant stakeholder committees, the most relevant of which seems to be the Regional Expansion Criteria and Benefits Task Force ("RECB TF") and the MISO Advisory Committee to which the RECB TF reports. MISO's concern with pursuing the matter is that MISO may lack the right to seek a change in that portion of Attachment FF. Appendix K, Section II.E.1. of the Transmission Owners Agreement ("TOA") gives a Transmission Owner, such as ITC Midwest, the exclusive right to submit filings under section 205 of the Federal Power Act "with regard to transmission upgrades and new transmission facilities that affect only the rates within the applicable Owner's Tariff zone(s)." Where such upgrades and new transmission facilities involve multiple Tariff zones then Appendix K, Section II.E.2. gives both the Transmission Owners and MISO filing rights subject to the provisions of Appendix K, Article IV. Article IV permits either the Transmission owners or MISO to make a filing but requires consultation and indicates a preference for joint filings under these circumstances.

Michael C. Griffen  
September 7, 2012  
Page 2

Thus, under the above described governance structure MISO can, at your request, suggest to the Chair of the RECB TF that this issue be included for discussion at an up-coming RECB TF meeting. However, even if that issue is discussed, and the RECB TF agrees with IPL and recommends that the provision should be modified or deleted, MISO does not believe that it possesses the unfettered discretion to file an amendment to the Tariff under FPA section 205 to implement such a recommendation. Were ITC Midwest to concur in the filing, MISO would gladly participate in a joint filing.

Please let me know whether you would like to pursue this further through the MISO committee structure.

Very truly yours,

A handwritten signature in blue ink, appearing to read 'Arthur W. Iler', written in a cursive style.

Arthur W. Iler

**UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION**

<b>Interstate Power and Light Company,</b>	)	<b>Docket No. EL12-_____</b>
	)	
<b>Complainant,</b>	)	
	)	
<b>v.</b>	)	
	)	
<b>ITC Midwest, LLC,</b>	)	
	)	
<b>Respondent.</b>	)	
	)	

**NOTICE OF COMPLAINT**  
(September \_\_\_\_, 2012)

Take notice that on September 14, 2012, Interstate Power and Light Company (“IPL”) filed a complaint with the Federal Energy Regulatory Commission against ITC Midwest, LLC (“ITCM”), pursuant to Section 206 of the Federal Power Act to seek a change to Attachment FF, § III.A.2.d.4, of the Open Access Transmission, Energy and Operating Reserve Markets Tariff of Midwest Independent Transmission System Operator, Inc., that is unjust, unreasonable, and unduly discriminatory in its application to IPL and its customers

IPL certifies that copies of the complaint were served on the contacts for ITCM as listed on the Commission’s list of Corporate Officials.

Any person desiring to intervene or to protest this filing must file in accordance with Rules 211 and 214 of the Commission’s Rules of Practice and Procedure (18 CFR 385.211 and 385.214). Protests will be considered by the Commission in determining the appropriate action to be taken, but will not serve to make protestants parties to the proceeding. Any person wishing to become a party must file a notice of intervention or motion to intervene, as appropriate. The Respondent’s answer and all interventions, or protests must be filed on or before the comment date. The Respondent’s answer, motions to intervene, and protests must be served on the Complainants.

The Commission encourages electronic submission of protests and interventions in lieu of paper using the “eFiling” link at <http://www.ferc.gov>. Persons unable to file electronically should submit an original and 14 copies of the protest or intervention to the Federal Energy Regulatory Commission, 888 First Street, N.E., Washington, D.C. 20426.

This filing is accessible on-line at <http://www.ferc.gov>, using the “eLibrary” link and is available for review in the Commission’s Public Reference Room in Washington, D.C. There is an “eSubscription” link on the web site that enables subscribers to receive email notification when a document is added to a subscribed docket(s). For assistance with any FERC Online service, please email [FERCOnlineSupport@ferc.gov](mailto:FERCOnlineSupport@ferc.gov), or call (866) 208-3676 (toll free). For TTY, call (202) 502-8659.

Comment Date: 5:00 pm Eastern Time on (insert date).

Kimberly D. Bose  
Secretary

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served the foregoing document on the following representatives of ITC Midwest, LLC, by U.S. Mail and/or by electronic service, as required by FERC's Regulations.

Doug Collins  
President, ITC Midwest, LLC  
6750 Chavenelle Road  
Dubuque, IA 52002  
dcollins@itctransco.com

Daniel J. Oginsky  
Vice President and General Counsel  
International Transmission Company  
39500 Orchard Hill Place, Suite 200  
Novi, MI 48375  
doginsky@itctransco.com

Gregory Ioanidis  
Director of Regulatory Strategy  
39500 Orchard Hill Place, Suite 200  
1400 Smith Street, EB4712a  
Novi, MI 48375  
gioanidis@itctransco.com

Dated at Washington, D.C. this 14th day of September, 2012.



---

Michael C. Griffen  
Morgan, Lewis & Bockius LLP  
1111 Pennsylvania Avenue, N.W.  
Washington, D.C. 20004

Attorney for Interstate Power and Light Company

**Appendix 2 – IPL Filed Comments to FERC in Docket Nos. EC12-145-000, ER12-2681-000 and EL12-107-000, ITC – Entergy Transaction**

**UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION**

<b>ITC Holdings Corp.</b>	)	<b>Docket No. EC12-145-000</b>
<b>Entergy Corporation</b>	)	<b>Docket No. ER12-2681-000</b>
<b>Midwest Independent Transmission System Operator, Inc.</b>	)	<b>Docket No. EL12-107-000</b>

**MOTION TO INTERVENE AND COMMENTS OF  
INTERSTATE POWER AND LIGHT COMPANY**

Pursuant to Rules 211, 212 and 214 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (“FERC” or “Commission”), 18 C.F.R. §§ 385.211, 385.212 and 385.214, Interstate Power and Light Company (“IPL”) respectfully files this motion to intervene and provide comments in the above-captioned docket.

**I. COMMUNICATIONS**

IPL requests that all communications regarding this motion to intervene and comments be addressed to the following persons:

Cortlandt C. Choate, Jr. Senior Attorney Alliant Energy Corporate Services, Inc. Street: 4902 North Biltmore Lane Madison, WI 53718 Telephone: 608-458-6217 Facsimile: 608-786-4553 E-Mail: CortlandtChoate@alliantenergy.com	Mitchell A. Myhre Manager of Regulatory Affairs Alliant Energy Corporate Services, Inc. Street: 4902 North Biltmore Lane Madison, WI 53718 Telephone: 608-458-6273 Facsimile: 608-458-0133 E-Mail: MitchellMyhre@alliantenergy.com
--	---

IPL also requests that Messrs. Choate and Myhre be placed on the Commission’s official service list for this docket.

Docket Nos. EC12-145-000, ER12-2681-000 and EL12-107-000

## II. MOTION TO INTERVENE

On September 24, 2012 ITC Holdings Corp. (“ITC”) and certain of its subsidiaries (the “ITC Applicants”),<sup>1</sup> and Entergy Corporation (“Entergy”) and certain of its subsidiaries<sup>2</sup> (collectively “Applicants”) filed, pursuant to Sections 203(a)(1), 203(a)(2), and 205 of the Federal Power Act (“FPA”), as amended,<sup>3</sup> and Parts 33 and 35 of the regulations of the Federal Energy Regulatory Commission (“FERC” or “Commission”),<sup>4</sup> a Joint Application for Authorization of Acquisition and Disposition of Jurisdictional Transmission Facilities, Approval of Transmission Service Formula Rate and Certain Jurisdictional Agreements, and Petition for Declaratory Order on Application of Section 305(a) of the Federal Power Act (“Application” or “September 24<sup>th</sup> filing”). The Applicants request a Commission order that would provide:

1. All necessary authorization and approvals to enable the merger of the jurisdictional transmission assets of the Entergy Operating Companies into a newly-created subsidiary of ITC, as contemplated in the Merger Agreement and Separation Agreement (“Transaction”);
2. Approval, pursuant to Federal Power Act (“FPA”) Section 205, of a proposed formula rate for the New ITC Operating Companies within the Midwest Independent Transmission System Operator, Inc. (“MISO”); and

---

<sup>1</sup> ITC Midsouth LLC (“ITC Midsouth”).

<sup>2</sup> Entergy Arkansas, Inc. (“EAI”), Entergy Gulf States Louisiana, L.L.C. (“EGSL”), Entergy Louisiana, LLC (“ELL”), Entergy Mississippi, Inc. (“EMI”), Entergy New Orleans, Inc. (“ENOI”), and Entergy Texas, Inc. (“ETI”) (collectively, “Entergy Operating Companies” or “EOCs”); and Mid South TransCo LLC (“Mid South”).

<sup>3</sup> 16 U.S.C. §§ 824b(a)(1), 824b(a)(2), and 824d.

<sup>4</sup> 18 C.F.R. Parts 33, 35 (2011).

Docket Nos. EC12-145-000, ER12-2681-000 and EL12-107-000

3. Confirmation that the proposed Transaction will not violate Section 305(a) of the FPA, which prohibits public utilities from making dividends of funds properly included in capital accounts.

IPL is a load-serving entity (“LSE”) that owns and operates electric facilities engaged in the generation, purchase, distribution, and sale of electric power and energy to approximately 525,000 electric customers in Iowa and southern Minnesota. IPL is a transmission-dependent utility and thus does not own or operate transmission facilities. IPL is also a MISO market participant and incurs costs associated with the purchase of transmission, capacity, energy, and ancillary market services within the MISO market.

IPL has a direct and substantial interest in this docket as IPL accounts for approximately 90 percent of the customer base of ITC Midwest, a subsidiary of ITC, and requests participation because IPL will be directly affected by the outcome. IPL’s participation is in the public interest due to IPL’s unique obligation as a public utility providing the sole source of electric service in its service territory. No other party can adequately represent IPL’s interests before the Commission.

### **III. BACKGROUND**

#### **ENTERGY**

Entergy is a public utility holding company with six vertically integrated public utility subsidiary companies, the Entergy Operating Companies. The Entergy Operating Companies are vertically integrated electric utilities that provide retail electric power service in Arkansas, Louisiana (including the provision of service in the City of New Orleans by ENOI), Mississippi and Texas. The companies combined own approximately 15,800 miles of transmission lines and provide transmission service to an area of almost 114,000 square miles. Each individual Entergy

Docket Nos. EC12-145-000, ER12-2681-000 and EL12-107-000

Operating Company owns its own generating and transmission assets, however, the Entergy system currently is planned and operated as a single, integrated electric system.

## **ITC**

ITC is a public utility holding company whose material assets currently consist primarily of 100 percent of the common stock of International Transmission Company d/b/a *ITCTransmission*, all of the membership interest in Michigan Electric Transmission Company, LLC, all of the membership interests in ITC Midwest LLC (“ITC Midwest”), and all of the membership interests in ITC Great Plains, LLC. The current ITC Operating Companies are independent, stand-alone transmission companies engaged exclusively in the development, ownership and operation of facilities for the transmission of electric energy in interstate commerce. The companies together own approximately 15,000 miles of transmission lines and provide transmission service in six states: Michigan, Iowa, Illinois, Minnesota, Kansas and Oklahoma. The combined service areas of the companies total almost 90,000 square miles.

## **TRANSACTION**

The proposed Transaction would involve Entergy implementing a multi-step transaction through which materially all of the jurisdictional transmission assets of the Entergy Operating Companies will be transferred to separate, wires-only companies. The separate transmission companies would be owned by the new Entergy intermediate holding company, Mid South, which would then be distributed to Entergy’s shareholders in a spin-off or split-off and subsequently merged with the new ITC intermediate public utility holding company, ITC Midsouth. Mid South would be the surviving entity, under ITC ownership and renamed as ITC Midsouth. At the closing of the Transaction, Entergy shareholders would own 50.1% of ITC and

Docket Nos. EC12-145-000, ER12-2681-000 and EL12-107-000

Entergy would continue to own the Entergy Operating Companies with their electric generation and distribution assets. The specific steps in the Transaction may be modified in response to any requirements imposed by the Internal Revenue Service during the course of obtaining a Private Letter Ruling to ensure that the distribution and merger are tax free.

#### IV. COMMENTS

IPL's objective in filing its intervention and comments related to the proposed Transaction is to ensure that the Transaction does not result in negative impacts to IPL and its customers. Sufficient information has not been included in the Application in order for IPL to ascertain that the Transaction would not have such harmful impacts. The Application also does not provide necessary commitments to protect ITC's current customers from possible negative consequences of the Transaction that are of particular concern to IPL. The Commission's Merger Policy Statement requires that applicants provide appropriate protection for customers,<sup>5</sup> (both new and existing) and that applicants bear the burden of proof to demonstrate that customers will be protected.<sup>6</sup> As a transmission dependent utility, IPL and its customers rely substantially on the transmission service provided by ITC Midwest. The possibility that the proposed Transaction will have a material impact on IPL and its customers has prompted IPL to bring its concerns directly to ITC and in the comments below.

In the Application, ITC makes several commitments related to the new ITC Operating Companies' and their transmission customers which include commitments to:

---

<sup>5</sup> *Inquiry Concerning the Commission's Merger Policy Under the Federal Power Act: Policy Statement*, 77 FERC ¶ 61,263 (1996), at p. 4.

<sup>6</sup> *Id.* page 40.

Docket Nos. EC12-145-000, ER12-2681-000 and EL12-107-000

- Not recover any acquisition premium or goodwill in rates;<sup>7</sup>
- Hold the new ITC Operating Companies customers harmless from Transaction-related costs for a period of 5 years by not collecting through transmission rates any Transaction-related costs that exceed demonstrated Transaction related savings;<sup>8</sup> and
- Grandfathered Agreements (GFAs) for transmission service remaining unaffected by the Transaction.<sup>9</sup>

ITC requests that the Commission find that ITC's hold harmless commitment encompassed by the commitments above, fully addresses any concerns regarding the effect of the Transaction on wholesale transmission rates.<sup>10</sup> However, ITC has not provided its existing customers with the same level of commitments and rate protection. While customers of the new ITC Operating Companies stand to bear the most direct impact of the proposed Transaction, ITC's existing customers have similar exposure to the Transaction and also need to be protected.

One specific area of concern that IPL has with the Transaction are the administrative and general ("A&G") expenses that are assigned from ITC to ITC Midwest and charged to IPL. ITC has adopted a methodology under which it allocates certain A&G expenses that are not directly assignable to specific ITC Holdings operating subsidiaries using a method referred to as the "Massachusetts formula." As the Application explains, the Massachusetts formula utilizes three factors as the basis for allocating costs: property, plant and equipment gross book value, revenue

---

<sup>7</sup> September 24<sup>th</sup> filing, page 22.

<sup>8</sup> *Id.* page 23.

<sup>9</sup> *Id.*

<sup>10</sup> *Id.*

Docket Nos. EC12-145-000, ER12-2681-000 and EL12-107-000

and labor, with all three factors being weighted equally.<sup>11</sup> However, in ITC's application of the Massachusetts formula, transmission load is substituted for revenue as it is believed to be a more appropriate indicator of cost incurrence to be used for allocations.<sup>12</sup> Considering the methodology used to allocate A&G expenses, the proposed Transaction could have an impact on the amount of costs IPL incurs. The Application does not provide information to demonstrate this possible impact or to show that the current allocation method is still a reasonable approach considering the impact of the Transaction. The Application does make general statements that no cross subsidization will result from the Transaction<sup>13</sup> but no substantive evidence is provided to support this claim nor any commitments made to existing customers that their rates will not be negatively impacted by the Transaction.

The Commission's Merger Policy Statement indicates the most promising and expeditious means of addressing rate protection issues is for parties to engage in a pre-filing consensus-building effort that will result in a filing that includes appropriate rate protections.<sup>14</sup> Prior to the filing of the Application, IPL reached out directly to ITC to enable ITC to address IPL's concerns and build such a consensus. ITC's response to IPL's inquiries stated that the Transaction would not result in any cross-subsidization, that IPL's concerns would be fully addressed in filings to FERC, that a review of the currently used A&G allocation methodology was underway and that the impact of the Transaction on A&G expense passed on to IPL was not known at the present time. ITC's Massachusetts Formula Allocation Policy requires in the event of a significant change in business

---

<sup>11</sup> *Id.* Exhibit No. ITC-505.

<sup>12</sup> *Id.*

<sup>13</sup> *Id.* pages 35-38.

<sup>14</sup> *Id.* page 4.

Docket Nos. EC12-145-000, ER12-2681-000 and EL12-107-000

circumstance<sup>15</sup> that accounting personnel discuss the impacts of the change on accounting processes with management representatives from the affected subsidiaries, legal and regulatory. Accounting personnel and management must then assess whether the current allocation method continues to be appropriate in light of the significant change.<sup>16</sup>

Contrary to expectations, IPL's review of the Application did not result in its concerns being fully addressed. IPL notes that the results of ITC's required internal review on the impact and appropriateness of the A&G costs allocation methodology were not included in the Application. Since IPL's concerns were unresolved, IPL again reached out to ITC. ITC responded by organizing a call to discuss IPL's issues on November 13, 2012. During this call ITC communicated that an internal analysis of the impact on ITC Midwest's A&G costs as a result of the Transaction had been performed and that it is now ITC's expectation that ITC Midwest should not experience a greater allocation of these costs and that they would likely decrease as a result. The details of the analysis performed were not, however, provided. ITC also provided this assessment in a response to a series of questions asked by IPL subsequent to an ITC Midwest Partners in Business meeting in October 2012, which was posted on ITC Midwest's OASIS on November 13, 2012. IPL's specific question concerning the potential A&G costs and ITC's response is as follows:

---

<sup>15</sup> ITC's Massachusetts Formula Allocation Policy indicates a significant change in circumstance could include an acquisition or increased activities at a new subsidiary; September 24<sup>th</sup> filing, Exhibit No. ITC-505.

<sup>16</sup> September 24<sup>th</sup> filing, Exhibit No. ITC-505.

Docket Nos. EC12-145-000, ER12-2681-000 and EL12-107-000

Question 1: Regarding the update on the ITC-Entergy transaction, what is the expected impact to ITC Midwest rates and allocation of ITC corporate costs resulting from the transaction?

Response 1: Expenses associated with the ITC-Entergy transaction will not be charged to ITC Midwest customers so they will not have any impact on ITC Midwest's rates. In addition, ITC has filed in the FERC application associated with the transaction that it will continue to use the Modified Massachusetts Formula for the allocation of A&G expenses. As such, it is expected that ITC Midwest's share of allocable A&G expenses will likely go down as a result of the transaction. ITC also expects its customers, including those within the ITC Midwest footprint, to benefit from ITC's increased scale and sharing of best practices, in particular the expertise that ITC employees coming over from Entergy have in the area of storm restoration.<sup>17</sup>

IPL was encouraged to hear that ITC's analysis showed ITC Midwest's A&G costs should not increase but decrease as a result of the transaction, however, IPL believes ITC should provide more detail of the analysis performed.

Another area of concern for IPL with the Transaction is a possible diversion of ITC management focus from its existing operating companies and customers to its new Operating Companies and customers. In terms of miles of transmission lines owned and network system peak load served, the Transaction would instantly more than double the size of ITC.<sup>18</sup> IPL also

---

<sup>17</sup> ITC Midwest OASIS. < <http://oasis.midwestiso.org/documents/itcm/Responses%20to%20Questions%20-%20October%2010,%202012%20Partners%20in%20Business%20Meeting.pdf>>.

<sup>18</sup> *ITC Analyst Day*, December 5, 2011. < <http://investor.itc-holdings.com/events.cfm>>.

Docket Nos. EC12-145-000, ER12-2681-000 and EL12-107-000

notes on November 20, 2012 the Commission issued a notice that the Office of Enforcement (“OE”) has preliminarily determined Entergy Services, Inc. has violated multiple Reliability Standards approved by the Commission.<sup>19</sup> The alleged violations relate to thirty-three Requirements of sixteen Reliability Standards by failing to adequately perform critical functions required for reliable operation of its transmission system. OE staff found many of these alleged violations to be continuous and ongoing for a period of several years. The large expansion and associated needs of the Entergy system could easily affect the attention paid by top management and shareholders to ITC Midwest and its customers and diminish its importance to the corporate family’s plans and strategies. Maintaining and continuously improving the working relationship that IPL has with ITC is extremely important and should not be adversely affected by the Transaction. The working relationship that IPL and ITC Midwest have developed enables close and efficient coordination between the companies in the areas of planning and operations, in particular outage coordination, which directly impacts the service to IPL customers. In the interest of service to its customers, IPL greatly values its working relationship with ITC Midwest and wants to ensure that it is preserved. The execution of the proposed Transaction would represent a significant accomplishment and venture for ITC, however, IPL again emphasizes that the significance of preserving and advancing relations with current customers should at a minimum have equal priority. In addition, the fundamental entitlement of ITC’s current customers to receive safe, adequate and reliable service at just and reasonable rates must not be diminished. Safeguards should be put in place to preserve an appropriate level of service by ITC

---

<sup>19</sup> *Mandatory Reliability Standards for the Bulk-Power System*, Order No. 693, FERC Stats. & Regs. ¶ 31,242, *order on reh’g*, Order No. 693-A, 120 FERC ¶ 61,053 (2007).

Docket Nos. EC12-145-000, ER12-2681-000 and EL12-107-000

to its current customers. For example, ITC should include in its Application a commitment to at a minimum, maintain its current level of service to existing customers to be measured and monitored by the performance of such reliability metrics as sustained outage performance, momentary outage performance, outage duration and overall customer satisfaction survey results. Additionally, customers entitlement to, and expectation of, prompt responses to cost and service inquiries should be protected. A commitment to achieve and maintain a high level of service to existing customers is an essential component of maintaining the reliability of the system and the risk of declining customer service and system performance should be accorded considerable weight in considering the impact of a merger. The lack of attention paid to this concern in the Application led IPL to raise the issue directly with ITC. In the November 13<sup>th</sup> call held with ITC, verbal assurance was provided by ITC that their focus and resources directed toward ITC Midwest would not change as a result of the Transaction. ITC also communicated that they expect to put in place additional resources dedicated to the ITC Midsouth customer and stakeholder management, while maintaining existing resources for the existing operating companies including ITC Midwest. IPL believes these commitments should be reflected in the Application.

As stated above, IPL has reached out to ITC prior to and subsequent to the filing of the Application with its concerns related to the Transactions and its potential impacts on IPL and its customers. IPL appreciates the verbal assurances and responses that ITC has provided but notes no formal commitments to address IPL's principle concerns are included in the Application. IPL encourages the Commission to ensure that benefits of the Transaction to the new ITC Operating

Docket Nos. EC12-145-000, ER12-2681-000 and EL12-107-000

Companies' customers do not come at the sacrifice of ITC's current customer base and that all affected customers be appropriately protected from possible adverse effects of the Transaction.

WHEREFORE, for the reasons discussed above, IPL respectfully requests that the Commission grant its motion to intervene in this proceeding and consider its comments herein.

Respectfully submitted,

**Interstate Power and Light Company**

/s/ Cortlandt C. Choate, Jr.

Cortlandt C. Choate, Jr.  
Senior Attorney  
Alliant Energy Corporate Services, Inc. on behalf  
of Interstate Power and Light Company

December 7, 2012

**CERTIFICATE OF SERVICE**

In accordance with 18 C.F.R. § 385.2010, I hereby certify that I have on this 7th day of December, 2012, caused a copy of the foregoing Motion to Intervene and Comments of Interstate Power and Light Company to be sent to each person designated on the official service list compiled by the Secretary of the Commission in Docket Numbers EC12-145-000, ER12-2681-000 and EL12-107-000.

*/s/ Cortlandt C. Choate, Jr.*

Cortlandt C. Choate, Jr.  
Senior Attorney  
Alliant Energy Corporate Services, Inc. on behalf  
of Interstate Power and Light Company

**Appendix 3 – IPL Questions for ITC-M Regarding ITC-M 2011 True-Up**



Interstate Power and Light Co.  
200 First Street SE  
PO Box 351  
Cedar Rapids, IA 52406-0351

July 19, 2012

Lisa Stump  
Manager, Regulatory Strategy  
ITC Midwest, LLC  
100 East Grand Ave  
Suite 230  
Des Moines, Iowa 50309

Dear Lisa:

We appreciate the fact that the 2011 Attachment O True Up for ITC Midwest LLC posted on the OASIS site on June 1, 2012 will result in an approximately \$10 million credit toward the 2013 Attachment O rate that will be posted by ITC Midwest this fall.

Consistent with our efforts to better understand the variables going into the ITC Midwest formula rate and to manage transmission costs for our customers, we have the following questions that we respectfully request ITC Midwest answer and respond to. All questions reference the ITC Midwest 2011 Attachment O True Up presentation found on the ITC Midwest OASIS website at <http://oasis.midwestiso.org/documents/itcm/2011%20ITCM%20True%20Up%20Presentation.pdf>.

1. On page 9, it is explained that the Gross Plant in Service was \$11,925,131 greater than projected from higher gross in-service due to higher additions to rate base. What specific projects noted on page 10 or others in-serviced in 2011 were in addition to the original plan? What were the causes and drivers behind additional projects and/or additional costs for planned projects in-serviced in 2011 beyond the original plan?
2. On page 9, it is explained that the Accumulated Depreciation is lower in part due to higher asset retirements. What specific asset retirements occurred during 2011 and which were in addition to the original plan? What were the causes and drivers behind the additional asset retirements from the original plan?
3. Page 10 shows a number of projects placed in-service in 2011, suggesting they total \$228 million.

On page 9 of the ITC Holdings Corp. 2011 Year-End Investor Call on February 22, 2012 at [http://investor.itcholdings.com/common/download/download.cfm?companyid=ITC&fileid=544460&filekey=53a6bf6f-eea9-4ad1-a6fb-b780e30c4034&filename=ITC\\_Q4\\_Presentation.pdf](http://investor.itcholdings.com/common/download/download.cfm?companyid=ITC&fileid=544460&filekey=53a6bf6f-eea9-4ad1-a6fb-b780e30c4034&filename=ITC_Q4_Presentation.pdf) it is noted that ITC Midwest expended \$269.1 million of capital in 2011.

What projects or activities and their costs make up the difference between \$228 and 269.1 million in capital expenditures?

4. On page 12, it is explained that the increase in Operation & Maintenance Expense is due to higher expense from NERC compliance activities. Please elaborate. IPL had understood that additional capital has been expended for NERC line clearance compliance work, but was not aware of significant O&M expense for this or any other NERC compliance activity.
5. On page 14, the Attachment GG Adjustments are 32% greater than projected, and explained as higher capital expenditures associated with RECB projects. Please discuss your understanding of the difference of actual from the forecast and how these offsets may be more accurately forecast in the future.
6. The 2011 True Up amount of \$10,165,754 is among the lowest experienced by ITC Midwest customers to date. It would appear that ITC Midwest has been able to better forecast expenditures and manage closer to its budget. Specifically, what actions has ITC Midwest taken to manage capital and operating and maintenance (O&M) costs closer to its projections, resulting in lower True Ups?
7. When actual revenue results in under recovery compared to projected, and an addition to revenue requirement in a future year is determined through the True Up, does ITC Midwest reduce its capital project plan and/or O&M costs so that revenue requirements are kept in line with prior projections? If so, how?
8. Conversely, when actual revenue results in over recovery compared to projected as it did in 2011, and a reduction to revenue requirement in a future year is determined through the True Up, will ITC Midwest increase its capital and/or O&M spending so that rate base additions are kept in line with prior projections? If so, how are ITC shareholder returns balanced with customer costs?

We appreciate your consideration of these questions, consistent with our efforts to better understand the variables going into the ITC Midwest formula rate and to manage transmission costs for our customers, as well as ITC Midwest's desire to maintain open lines of communication and transparency with stakeholders.

Thank you,



John Weyer  
Manager –Transmission Services

cc: Randy Bauer (IPL)  
Doug Collins (ITC Midwest)

**Appendix 4 – ITC-M Responses to IPL Regarding ITC-M 2011 True-Up**

**ITCMW 2011 Attachment O True Up  
Questions from IPL**

1. On page 9, it is explained that the Gross Plant in Service was \$11,925,131 greater than projected from higher gross in-service due to higher additions to rate base. What specific projects noted on page 10 or others in-serviced in 2011 were in addition to the original plan? What were the causes and drivers behind additional projects and/or additional costs for planned projects in-serviced in 2011 beyond the original plan?

Question 1 Response:

The variance between projected and actual 2011 Attachment O gross plant is partially attributable to projects subject to cost recovery under MISO's Attachment GG. Attachment GG is the mechanism used to calculate the Schedule 26 charges for regionally cost shared projects approved in the MISO MTEP process. The 2011 projection for Attachment GG projects included only those projects that had been approved in the MISO MTEP process at the time the projected rate was posted.

The following four ITCMW Attachment GG projects, which added approximately \$7.8M to the 13 month Gross Plant in Service balance, were approved by MISO in the 2011 MTEP, 15 months after the projected rate was posted:

1. G164-Lakefield Junction 345KV Breaker & Half
2. G604-Ellendale 69KV Switch Station
3. G741-Martin Co Waste Heat
4. G870-Freeborn

These four were all generator interconnection projects. These types of projects often have short lead times due to customer requirements, but the MTEP cycle typically has a 15 month lead time for project approval. As is typical for generator interconnection projects, work at the customer's expense began before receipt of the MTEP approval. Once these projects were approved in MTEP11 in December 2011 they were included in the ITCMW actual and subsequent projected Attachment GG rate calculations.

In addition, storm damage in the ITC Midwest footprint required an additional \$5.8M in capital expenditures that were not forecasted at the time the projected rate was posted. Very severe weather struck the areas between Marshalltown and Vinton, Iowa causing extensive damage on July 11, 2011. Damage occurred to over 200 ITC Midwest structures on several lines from the straight line winds from a "derecho," which had an effect similar to an EF1 tornado, with wind speeds in excess of 100 miles in places. Within 72 hours after the storm passed, transmission service was restored to all customers and customer substations that could take service.

The actual gross plant in service will vary from projected based on a number of factors, including outage availability, storm damage, site conditions, weather, material and labor availability, which cause variability in the cost and timing of transfers of assets into service. The 2011 projected amounts were determined in the summer of 2010 prior to

posting of the projected rate. Changes in project scope, work order in-service dates, expenditure amounts and the overall list of projects worked on will impact the 13-month Gross Plant in Service average.

2. On page 9, it is explained that the Accumulated Depreciation is lower in part due to higher asset retirements. What specific asset retirements occurred during 2011 and which were in addition to the original plan? What were the causes and drivers behind the additional asset retirements from the original plan?

Question 2 Response:

The 2011 Attachment O projected rates did not include an explicit forecast of retirements and the related effects on both gross plant in service projections and accumulated depreciation projections. Because retirements result in approximately equal and offsetting variances in both gross plant in service and accumulated depreciation, they do not have a significant net effect on rate base.

However, ITC Midwest began forecasting retirements in rate base for the projected 2012 rate in an effort to continuously improve the accuracy of its forecasting for rate setting purposes.

For additional details on actual retirements, please see page 207 column (d) in the 2011 ITCMW FERC Form 1. This provides specific 2011 asset retirements by property account.

3. Page 10 shows a number of projects placed in-service in 2011, suggesting they total \$228 million.

On page 9 of the ITC Holdings Corp. 2011 Year-End Investor Call on February 22, 2012 at [http://investor.itcholdings.com/common/download/download.cfm?companyid=ITC&fileid=544460&filekey=53a6bf6f-eea9-4adl-a6fb-b780e30c4034&filename=ITC 04 Presentation.pdf](http://investor.itcholdings.com/common/download/download.cfm?companyid=ITC&fileid=544460&filekey=53a6bf6f-eea9-4adl-a6fb-b780e30c4034&filename=ITC%2004%20Presentation.pdf) it is noted that ITC Midwest expended \$269.1 million of capital in 2011.

What projects or activities and their costs make up the difference between \$228 and 269.1 million in capital expenditures?

Question 3 Response:

The \$269.1M figure used in the Investor Presentation reflects accrued capital for the year, which is a different measure than capital placed in-service of \$228M. Accrued capital measures the amount of capital invested in any given period, regardless of whether or not it has been placed into service. Capital placed in-service measures only capital projects placed into service in the given period, regardless of when the capital was actually invested.

4. On page 12, it is explained that the increase in Operation & Maintenance Expense is due to higher expense from NERC compliance activities. Please elaborate. IPL had understood that additional capital has been expended for NERC line clearance compliance work, but was not aware of significant O&M expense for this or any other NERC compliance activity.

Question 4 Response:

ITC Midwest incurred a surveying and LIDAR services O & M expense of approximately \$1.3M in 2011. NERC issued an Alert on Line Ratings on October 7, 2010, which required every transmission owner to develop a plan to assess and verify the line ratings on all transmission lines and equipment. A LIDAR survey and analysis was conducted to determine which line ratings needed to be revised or whether other actions needed to be taken to remediate any clearance violations in order to maintain the current line rating. Since NERC's Alert on Line Ratings was not issued until October 2010, ITC Midwest was unable to finalize its forecast of the LIDAR survey work that was needed until early 2011 after the projected Attachment O rate had been finalized and was being charged. While the majority of actual line clearance projects were capitalized in 2011, the survey and analysis is an O & M expense and was not included in rate base.

The ITC Midwest vegetation budget was increased by approximately \$1 Million over the projection in order to address above average vegetation growth experienced over the past several years. The NERC compliance portion of vegetation management is only for the 345kV system; however, ITC Midwest increased its overall vegetation management activities for the entire transmission system due to excessive growth caused by the moderate temperatures and good moisture which allowed the trees to grow over a much longer number of weeks. The expected 3 year tree trimming cycle was not sufficient to keep up with this unexpected growth.

5. On page 14, the Attachment GG Adjustments are 32% greater than projected, and explained as higher capital expenditures associated with RECB projects. Please discuss your understanding of the difference of actual from the forecast and how these offsets may be more accurately forecast in the future.

Question 5 Response:

As discussed in the response to Question 1, a portion of the variance can be attributed to the ITCMW Attachment GG generator interconnection projects listed above that were approved by MISO in the 2011 MTEP after the projected rate was posted. These types of projects often have short lead times due to customer requirements. It had been ITCMW's practice to not include any Attachment GG project in the projected Attachment GG rate until it was approved in the MTEP Appendix A. Thus, if a project was not included in the projected Attachment GG rate, it was not included in the Attachment GG offset in the projected Attachment O rate.

However after this occurred in 2011, beginning with the projected 2012 rates, ITCMW did include Attachment GG generator interconnection projects which were expected to

be approved in MTEP11 three months later in December 2011. This should minimize the impact of the timing difference, described in the response to question 1 above, between when the projected rates are posted on September 1<sup>st</sup> and when the MISO MTEP is approved.

6. The 2011 True Up amount of \$10,165,754 is among the lowest experienced by ITC Midwest customers to date. It would appear that ITC Midwest has been able to better forecast expenditures and manage closer to its budget. Specifically, what actions has ITC Midwest taken to manage capital and operating and maintenance (O&M) costs closer to its projections, resulting in lower True Ups?

Question 6 Response:

ITC Midwest is committed to continuous improvement in all aspects of its operations, including financial projections. It is notable that two-thirds of the 2011 true-up was due to variances in actual load relative to what was forecasted when rates were projected; monthly peak loads are weather dependent and will be different from projected. The actual true-up amount related to changes in revenue requirement was only \$3,203,958, which is less than two percent of the total net revenue requirement. ITC Midwest cost forecasts are based on a number of assumptions that have a wide degree of variability, some of which are out of ITC Midwest' control (e.g., new regulatory requirements, new interconnection projects, unexpected storm damage, etc.). As mentioned above, we have begun to include in the projected rate forecasts for retirements and Attachment GG projects have not yet been approved in the MTEP.

7. When actual revenue results in under recovery compared to projected, and an addition to revenue requirement in a future year is determined through the True Up, does ITC Midwest reduce its capital project plan and/or O&M costs so that revenue requirements are kept in line with prior projections? If so, how?

Question 7 Response:

Projected capital and O&M plans at ITC Midwest reflect needed investment and maintenance on the transmission system. ITC Midwest does not adjust the current year capital and O&M needs to "offset" prior year true ups.

8. Conversely, when actual revenue results in over recovery compared to projected as it did in 2011, and a reduction to revenue requirement in a future year is determined through the True Up, will ITC Midwest increase its capital and/or O&M spending so that rate base additions are kept in line with prior projections? If so, how are ITC shareholder returns balanced with customer costs?

Question 8 Response:

Projected capital and O&M plans at ITC Midwest reflect needed investment and maintenance on the transmission system. ITC Midwest does not adjust the current year capital and O&M needs to “offset” prior year true ups.

**Appendix 5 – IPL Questions for ITC-M Following Fall 2012 Partners in Business Meeting and 2013 Attachment O Posting**



Interstate Power and Light Co.  
An Alliant Energy Company

200 First Street SE  
P.O. Box 351  
Cedar Rapids, IA 52406-0351

1-800-ALLIANT (255-4268)  
[www.alliantenergy.com](http://www.alliantenergy.com)

October 23, 2012

Lisa Stump  
Manager, Regulatory Strategy  
ITC Midwest, LLC  
100 East Grand Ave  
Suite 230  
Des Moines, Iowa 50309

Dear Lisa:

Consistent with our continued efforts to better understand the components of the ITC Midwest formula rate and to manage transmission costs for our customers, we have the following comments and questions from our attendance to the 2012 ITC Midwest Fall Partners in Business Planning and Attachment O Meeting on October 10 in Cedar Rapids:

1. Regarding the update on the ITC-Entergy transaction, what is the expected impact to ITC Midwest rates and allocation of ITC corporate costs resulting from the transaction?
2. What specifically can IPL expect from ITC Midwest as next steps following the results of the most recent Stakeholder Satisfaction Survey? (The general next steps were discussed on pages 37-40 of the presentation at <http://oasis.midwestiso.org/documents/itcm/2012%20Fall%20Partners%20In%20Business%20Planning%20and%20Attachment%20O%20Presentation%20FINAL%2010-9-12.pdf>).

IPL looks forward to continued work with ITC Midwest to improve the planning and communication of outages, as well as the process efficiency of switching for our customers.

3. As we requested at the meeting, please elaborate on the details of how the weather event comparison was made for the reliability analysis. (Pages 48-49 of the presentation.) What types of weather events were included and what portions of Iowa were selected in the analysis?
4. How does the identification and criteria for poor performing circuits (page 51) relate to the identification of projects proposed in the MTEP queue?
5. As we noted at the meeting, recently, ITC and Entergy submitted a filing to FERC for approval to acquire Entergy's transmission assets. ([http://elibrary.ferc.gov/idmws/File\\_list.asp?document\\_id=14053703](http://elibrary.ferc.gov/idmws/File_list.asp?document_id=14053703))

In the prepared testimony of Jon Jipping, a summary of an analysis for the ITC companies operating in Michigan was given showing the \$ value of improved system reliability measured by SAIDI, and using a tool and database prepared for the US Department of Energy (<http://icecalculator.com/>). Has ITC performed a similar analysis for the ITC Midwest system? If so, what were the results? IPL requests the opportunity to jointly conduct such as analysis cooperatively with ITC Midwest.

6. In Jeff Eddy's presentation (pages 94-106), he noted in his verbal remarks that additional system congestion is resulting from increased generation on the western part of the system, line derates from the NERC Alerts (line sag issue), and generation retirements. Please elaborate and quantify these observed congestion metrics and impacts.
7. A question was raised at the meeting regarding the details of the SMART GRID Blanket Project - \$4.8 million/year listed on page 102. Please explain what this project entails.
8. Regarding the 2013 Attachment O rate discussion beginning on page 105 of the presentation, please explain further the following:
  - a. For the timeline shown on page 110 of the presentation, IPL raised a question regarding the nature MISO review and ITC Midwest response to the proposed Attachment O rate. It was in part answered by ITC Midwest indicating the questions raised by MISO involved a >20% increase in gross plant in service and a property tax change threshold in ITC Midwest's submitted Attachment O rate for 2013. Please elaborate on these questions raised by MISO and ITC Midwest's response to MISO.
  - b. IPL notes some apparent inconsistencies in some projects costs when viewed on a \$/line mile basis. For example:
    - i. The Heron Lake to Lakefield 161 kV Rebuild project on page 115 shows an in-service cost of approximately \$24.7 million. We understand this project to be an approximately 17 mile line rebuild on existing right of way, implying a cost of approximately \$1.4 million/mile.
    - ii. The Marshalltown – Nuthatch rebuild project on page 115 shows an in-service cost of approximately \$31.8 million. We understand this project to be approximately 50 miles of 115kV being rebuilt to 161kV on existing right of way, implying a cost of approximately \$636 k/mile.

These two projects appear similar enough to compare directly to each other, however, the costs/mile are quite different. Please explain.
9. Considering the favorable construction season during 2012, what was ITC Midwest's projected in-service capital previously expected to be for 2012, what is the current projection, and what is the expected impact on any true-up to rates impacting 2014?

10. Previously, ITC has indicated that capital spend levels in the Michigan operating companies have flattened as system improvements have been made, reaching what might be referred to as “maintenance capital” levels. When might customers of ITC Midwest expect to see comparable levels of maintenance capital levels be experienced, and what level of spend might that be? What is the expected impact to ITC Midwest rates?
11. When might we expect to see an updated revenue requirement and capital forecast for the ITC operating companies from what was made available with the February 22, 2012 ITC Holdings Year-End 2011 Investor Call?

We appreciate your consideration of these questions, consistent with our efforts to better understand the variables going into the ITC Midwest formula rate and to manage transmission costs for our customers, as well as ITC Midwest’s desire to maintain open lines of communication and transparency with stakeholders.

Thank you,

John Weyer  
Manager –Transmission Services

cc: Randy Bauer (IPL)  
Doug Collins (ITC Midwest)

**Appendix 6 – ITC-M Responses to IPL Regarding Fall 2012 Partners in Business Meeting and 2013 Attachment O Posting**

### Responses to Questions Related to the October 10, 2012, Partners in Business Meeting

**Question 1:** Regarding the update on the ITC-Entergy transaction, what is the expected impact to ITC Midwest rates and allocation of ITC corporate costs resulting from the transaction?

**Response 1:** Expenses associated with the ITC-Entergy transaction will not be charged to ITC Midwest customers so they will not have any impact on ITC Midwest's rates. In addition, ITC has filed in the FERC application associated with the transaction that it will continue to use the Modified Massachusetts Formula for the allocation of A&G expenses. As such, it is expected that ITC Midwest's share of allocable A&G expenses will likely go down as a result of the transaction. ITC also expects its customers, including those within the ITC Midwest footprint, to benefit from ITC's increased scale and sharing of best practices, in particular the expertise that ITC employees coming over from Entergy have in the area of storm restoration.

**Question 2:** What specifically can IPL expect from ITC Midwest as next steps following the results of the most recent Stakeholder Satisfaction Survey? (The general next steps were discussed on pages 37-40 of the presentation at <http://oasis.midwestiso.org/documents/itcm/2012%20Fall%20Partners%20In%20Business%20Planning%20and%20Attachment%20O%20Presentation%20FINAL%2010-9-12.pdf>). IPL looks forward to continued work with ITC Midwest to improve the planning and communication of outages, as well as the process efficiency of switching for our customers.

**Response 2:** ITC Midwest's Stakeholder Relations plan is to meet with several field operations and account management personnel at IPL, Rural Electric Cooperatives, Municipals and Independent Power Producers to review past performance and future expectations and collect input for improvements on key survey points: process efficiency, communications, flexibility and accommodating customer needs. The plan is to schedule these meetings within the next two to three months.

ITC Midwest then plans to review Stakeholder input internally with ITC Management to evaluate process improvements, communications and points for implementation consideration. This evaluation should take place within 30 days of the conclusion of the Stakeholder meetings.

As recommended process improvements are developed, communications will be made with ITC Midwest Stakeholders during face to face or Partners in Business meetings before mid-year 2013.

**Question 3:** As we requested at the meeting, please elaborate on the details of how the weather event comparison was made for the reliability analysis. (Pages 48-49 of the presentation.) What types of weather events were included and what portions of Iowa were selected in the analysis?

**Response 3:** Explanations for referenced slides 48 and 49 of the presentation are provided below:

*Slide 48:* The *Iowa Storm Events by Zone* line graph was created using information from the *Storm Events Database* found at <http://www.ncdc.noaa.gov/stormevents/> (National Climatic Data Center, National Oceanic and Atmospheric Administration). The database contains various types of storms recorded from October 2006 to present as entered by NOAA's National Weather Service (NWS). The database allows the user to select a state or area of interest. After selecting the desired state (Iowa), the user can then select the parameters, begin date, end date, event type, county and zone. An event search was conducted for each year, 01/01/yyyy – 12/31/yyyy. All events were selected for inclusion but categorized by the NWS Forecast Zone.

Please note that Storm Data are geographically categorized by County or by NWS Forecast Zone. Smaller (areal coverage) are collected by county (Tornado, Thunderstorm Winds, Flash Floods and Hail) while larger scale events are collected by forecast zone (Heat, Cold, Drought, Flood, Tropical & Winter Weather). For Slide 48, Zone was selected (versus county) due to the limitations of the database when selecting all events for all counties for an entire year. Query results are limited to 1000 records; making the county records too granular.

The shape of the event graph was compared to the *Weather: Proportion of Outages* line graph. The *Weather: Proportion of Outages* line graph is compiled based on the percentages of outages coded as weather and submitted to the SGS study. The purpose of the slide was to show that the number of weather events fluctuates from year to year but the percentage of outages attributed to weather is leveling, if not declining.

*Slide 49* contains the same information as slide 48 but was expanded to include weather events through 9/21/2012. The 2012 percentage of weather related outage projections included in the *Weather: Proportion of Outages* line graph was hand calculated based on outage information recorded by ITC. The outages included in this graph are the same outages that will be submitted to SGS at the beginning of 2013.

**Question 4.** How does the identification and criteria for poor performing circuits (page 51) relate to the identification of projects proposed in the MTEP queue?

**Response 4:** When a line is identified as a poor performing circuit, projects are identified to improve the reliability of the line. This may include additional maintenance, relaying updates or rebuilding the line. If it is decided that the line needs to be rebuilt, an EI Sketch is submitted for internal review with a proposed in-service date. The project is also submitted to MISO, through the MTEP process, for review and approval at that time. The poor performing circuit process is only one of many processes that are in place to identify MTEP projects. There are also regional long- and short-term studies, customer interconnects, generator interconnects, and several other processes that identify projects that are submitted to MISO through the MTEP process.

**Question 5.** As we noted at the meeting, recently, ITC and Entergy submitted a filing to FERC for approval to acquire Entergy's transmission assets.  
([http://elibrary.ferc.gov/idmws/File\\_list.asp?document\\_id=14053703](http://elibrary.ferc.gov/idmws/File_list.asp?document_id=14053703))

In the prepared testimony of Jon Jipping, a summary of an analysis for the ITC companies operating in Michigan was given showing the \$ value of improved system reliability

measured by SAIDI, and using a tool and database prepared for the US Department of Energy (<http://icecalculator.com/>). Has ITC performed a similar analysis for the ITC Midwest system? If so, what were the results? IPL requests the opportunity to jointly conduct such as analysis cooperatively with ITC Midwest.

**Response 5:** ITC has not conducted a similar analysis for ITC Midwest, because the analysis would not be as meaningful for ITC Midwest due to its system configuration, which is predominantly rural in nature. As Mr. Jipping states in the above referenced testimony: “The calculation was made with ITC’s Michigan companies in order to allow for a meaningful comparison in this proceeding.”

ITC Midwest owns and operates transmission at voltage levels of 34.5 kV, 69 kV, 115 kV, 161 kV, and 345 kV. ITC Midwest also has numerous interconnections with electric cooperatives and municipal utilities. Many utilities that participate in the SGS Study own little or no 34.5 kV or 69 kV facilities. Lower voltage systems are inherently less robust than higher voltage systems because the higher voltage systems require higher construction standards, stronger structures (often steel) and larger and heavier wire sizes. When comparing individual voltage levels, the ITCMW 100 kV+ system ranks among the top quartile for overall outages and outage duration in the 2011 SGS Study. However, when lower-voltage facilities are added to the analysis, ITC Midwest ranks in the third quartile for sustained outages. As ITC continues to improve the performance of the lower-voltage system through preventive maintenance and infrastructure improvements, it may become more meaningful to conduct the type of analysis which demonstrates significant and quantifiable reliability benefits for ITC’s Michigan customers as a result of ITC’s investment and maintenance practices.

**Question 6.** In Jeff Eddy’s presentation (pages 94-106), he noted in his verbal remarks that additional system congestion is resulting from increased generation on the western part of the system, line derates from the NERC Alerts (line sag issue), and generation retirements. Please elaborate and quantify these observed congestion metrics and impacts.

**Response 6:** In his verbal remarks, Mr. Eddy was emphasizing the significant challenges to Transmission Planning resulting from changes occurring on the transmission grid. Mr. Eddy’s comments were intended to convey a forward looking, “big picture” assessment of the changing nature of the transmission grid and the challenges these changes present to Transmission Planning.

One of these changes results from increased wind generation interconnecting to the grid in western Iowa and southwest Minnesota. In ITC Midwest’s first four years of operation, 16 new generator interconnects representing approximately 2,200 MW of wind energy production capacity have been added to ITC Midwest’s transmission system. Most of the generation has been connected under MISO Energy Resource service, signifying transmission upgrades necessary to enable the output of those generators to be deliverable as Network Resources have not been added. Several wind farms are connected to the transmission system under Provisional Interconnection Agreements. This type of agreement was developed by MISO to connect generation prior to studies being completed to identify any required transmission upgrades.

Another change occurring on the transmission system relates to the retirement or planned retirement of several generating units in eastern Iowa. ITC Midwest has transmission upgrades planned and approved by MISO in eastern Iowa due to these retirements. In addition, MISO studies are in progress to determine transmission upgrades needed for other planned generation retirements.

The third change referenced by Mr. Eddy was the derate of several transmission lines as a result of the NERC Alert projects. ITC Midwest is aware that some of these lines have been binding in the Midwest market. ITC Midwest's system has historically been a location of congestion on the transmission system, as evidenced by the SE Minnesota/N Iowa/SW Wisconsin Narrow Constrained Area designation.

**Question 7.** A question was raised at the meeting regarding the details of the SMART GRID Blanket Project - \$4.8 million/year listed on page 102. Please explain what this project entails.

**Response 7:** The overall objective of the SmartGrid project is to:

- **Provide a clean separation of assets from an operations perspective between ITCMW and Alliant Energy – IP&L.** This is a major project driver and is especially necessary where the Supervisory Control and Data Acquisition (SCADA) Remote Terminal Unit (RTU) is a shared asset between ITC Midwest and Alliant Energy- IPL. The separation allows for better management of the specific owned assets from both an operations and maintenance responsibility. This project also allows for the delineation of these shared substations. Separating the assets improves efficiency by eliminating multiple call outs for the same alarm.
- **Set consistent monitored points across ITC Holdings (ITC) operating platform.** This portion of the project provides the system operators with consistent monitoring and controls of the field devices since these operators are responsible for operational control across all of the ITC Holdings Company assets. By providing more efficient communications between the control center and field staff, this project should improve response times when addressing operational issues. The project also helps to reduce the number of off-hour callouts based on more consistent prioritization of alarms.
- **Move to a common communications platform from the field-end devices (substations) to the central operations control centers in Novi and Ann Arbor Michigan.**
- **Enhance engineering remote access support.** This portion of the project supports system reliability and outage response by providing relay engineers with a more direct access path to protective relays for operations analysis. This more direct dial-up access allows the engineer to identify fault location information quicker, thus aiding the field staff in responding to and restoring unplanned outages.

**Question 8a.** Regarding the 2013 Attachment O rate discussion beginning on page 105 of the presentation, please explain further the following:

For the timeline shown on page 110 of the presentation, IPL raised a question regarding the nature MISO review and ITC Midwest response to the proposed Attachment O rate. It was in

part answered by ITC Midwest indicating the questions raised by MISO involved a >20% increase in gross plant in service and a property tax change threshold in ITC Midwest's submitted Attachment O rate for 2013. Please elaborate on these questions raised by MISO and ITC Midwest's response to MISO.

**Response to 8a:** Following is an exact quote of the questions raised by MISO during its review of Attachment O projected rates for 2013 and ITC's responses:

- 1) Attachment O, Page 2, Line 2 - Amount is 22% higher than the 2012 Projection (\$1,749,173,000 vs. \$1,432,119,000). Please provide a high level summary of the drivers for this material increase.

*ITC Midwest Response: Transmission Gross Plant In-Service represents a cumulative balance that increases as additions are made to gross plant in-service each year. The 2012 Projected balance reflected a 13-month average balance for 2012. The 2013 Projected balance is higher as a result of a full year weighting in the 13-month average for the 2012 balances as well as the 2013 projected additions to gross plant in-service.*

*On the last page of this response we have shown a list of projected capital project additions, from the ITCMW 2013 Partners in Business presentation on the Projected 2013 Projected Attachment O rate, showing that the new projected total is more than the increase in the 13 month gross plant balance. Please be advised that the most accurate information on planned capital project additions is found in the MISO MTEP database.*

- 2) Attachment O, Page 2, Line 10 - Amount is 29% higher than the 2012 Projection (\$52,541,000 vs. \$39,663,000). Please provide a high level summary of the drivers for this material increase.

*ITC Midwest Response: General and Intangible Accumulated Depreciation represents a cumulative balance that increases as depreciation expense is incurred each year. The 2012 Projected balance reflected a 13-month average balance for 2012. The 2013 Projected balance is higher as a result of a full year weighting in the 13-month average for the 2012 balances as well as the 2013 projected depreciation expense.*

- 3) Attachment O, Page 3, Line 16 - Amount is 29% higher than the 2012 Projection (\$9,550,000 vs. \$7,425,000). Please provide a high level summary of the drivers for this material increase.

*ITC Midwest Response: Property Taxes represent the annual projected expense associated with the gross plant in-service balance of the prior year. The 2013 projected amount is higher because it reflects plant additions through 2012 whereas the 2012 projected amount only reflected plant additions through 2011.*

**Questions 8b.** Regarding the 2013 Attachment O rate discussion beginning on page 105 of the presentation, please explain further the following:

- b. IPL notes some apparent inconsistencies in some projects costs when viewed on a \$/line mile basis. For example:

- i. The Heron Lake to Lakefield 161 kV Rebuild project on page 115 shows an in-service cost of approximately \$24.7 million. We understand this project to be an approximately 17 mile line rebuild on existing right of way, implying a cost of approximately \$1.4 million/mile.
- ii. The Marshalltown – Nuthatch rebuild project on page 115 shows an in-service cost of approximately \$31.8 million. We understand this project to be approximately 50 miles of 115kV being rebuilt to 161kV on existing right of way, implying a cost of approximately \$636 k/mile.

These two projects appear similar enough to compare directly to each other, however, the costs/mile are quite different. Please explain.

**Response 8b:** The projected completed cost of the Marshalltown – Nuthatch Project is approximately \$52MM or approximately \$1MM per mile. The cost estimates shown on page 115 are the calculated amounts that are forecasted to be placed in-service in 2013 only. These numbers do not include in-service amounts from prior years, because those amounts have already gone into service and been added to ratebase in their respective years. For the Marshalltown to Nuthatch Project, \$21MM was placed in-service in June 2012. The \$21MM already in service plus the forecasted \$31MM for 2013 totals the \$52MM.

The Heron Lake Project is projected to go into service in 2013 for \$24MM, or approximately \$1.4MM per mile. The Heron Lake – Lakefield estimated cost is slightly higher because a section of the line must be relocated out of a wetland, requiring a portion of double circuit 161/69 KV. Also, the line is expected to be built in the winter due to line load issues in the summer. Winter construction is more expensive.

**Question 9.** Considering the favorable construction season during 2012, what was ITC Midwest's projected in-service capital previously expected to be for 2012, what is the current projection, and what is the expected impact on any true-up to rates impacting 2014?

**Response 9:** ITC Midwest's projected in-service capital for 2012, reflected in the September 2011 posting, was \$248.5MM. The current projected in-service capital for 2012 is expected to be \$258.7MM, which is \$10.2MM, or 4%, higher than the initial projection. The impact of this projected increase to the current year true-up is de minimus. The \$10.2MM increase in in-service capital equates to an increase in the 13-month average rate base of \$0.8MM. The total return on this amount, including the tax-gross up, is projected to be approximately \$0.1MM.

**Question 10.** Previously, ITC has indicated that capital spend levels in the Michigan operating companies have flattened as system improvements have been made, reaching what might be referred to as "maintenance capital" levels. When might customers of ITC Midwest expect to see comparable levels of maintenance capital levels be experienced, and what level of spend might that be? What is the expected impact to ITC Midwest rates?

**Response 10:** ITC has no updates to its long-term financial plan since the February 22, 2012, disclosure. As such, projections of capital spend and gross revenue requirements beyond

2016 are not available. In addition, ITC Midwest does not forecast Attachment O rates and, as such, cannot provide the expected impact to ITC Midwest rates as requested.

From a capital planning perspective, ITC Midwest is on track to meet its commitment to rebuild the 34.5 kV system to 69 kV standards by December 2019 (twelve years from the Transaction closing in December 2007). ITC Midwest's expectation is that capital will be committed to these projects in each of the years 2013 through 2019. Information on additional capital commitments during the 2017 through 2019 timeframe will depend on many factors that cannot be projected at this time such as national energy policy, weather, technological advances, customer interconnects, generator interconnects, etc.

**Question 11.** When might we expect to see an updated revenue requirement and capital forecast for the ITC operating companies from what was made available with the February 22, 2012 ITC Holdings Year-End 2011 Investor Call?

**Response 11:** ITC provides updated gross revenue requirement and capital forecasts for its operating companies in conjunction with any public disclosures of updates to our long-term financial plan. There have been no updates to our long-term financial plan since the February 22, 2012 disclosure. At this time, we do not have any formal plans to update our long-term financial plan publicly.

**Appendix 7 – Summary of Concentric Energy Advisors Study Commissioned by IPL**



**Benchmarking ITC Midwest, LLC  
Transmission Expenses**

*September, 2012*

## Background

- Interstate Power and Light (“IPL”) has asked Concentric to assess the Company’s transmission costs in comparison to similar utilities in order to better understand cost trends.
- IPL sold its transmission infrastructure to ITC Holdings in 2007 (forming ITC-Midwest LLC), and has observed rising transmission costs since that time. Cost increases are linked to ITC-Midwest’s capital projects, which are being made to a lengthy transmission system without a corresponding increase in system load.
- Concentric conducted a benchmarking study of IPL’s transmission expenses from 2004-2011 in order to capture observations both before and after IPL divested its transmission operations.
- As the following pages demonstrate, both IPL and ITC-Midwest’s operating costs are comparable to their peers in the industry. However, ITC-Midwest’s substantial investment in transmission plant improvements over the last three years has far exceeded that of similar firms.

## Selection of Independent Transmission Utility Proxy Group

*Concentric constructed two groups of comparable utilities (“proxy groups”) for the transmission expense assessment:*

### Independent Transmission Companies:

- Facilitates comparison of ITC-Midwest and its peer transmission providers.
- Screening criteria:
  - Only transmission operations (no generation or distribution)
  - Transmission system length between 2,500 and 10,000 miles
  - Annual Transmission O&M expenses within a range of \$10 million to \$85 million per year
- These screens yield a set of 4 independent transmission companies:

Independent Transmission Utilities
American Transmission Company LLC
American Transmission Systems, Incorporated
International Transmission Company
Michigan Electric Transmission Company, LLC

### Vertically Integrated Utilities:

- Facilitates comparison of costs observed by IPL’s customers to those of similar utilities.
- Screening criteria:
  - Generation, transmission, and distribution services
  - Geographic proximity: companies were selected from those that operate within the Midwest ISO (for consistency in resource planning and transmission ratemaking)
  - Transmission system length between 2,000 and 10,000 miles
- These screens yield a set of 10 vertically integrated utilities:

Utility
ALLETE (Minnesota Power)
Ameren Illinois Company
Duke Energy Indiana, Inc.
MDU Resources Group, Inc.
MidAmerican Energy Company
Northern Indiana Public Service Company
Northern States Power Company - MN
Northern States Power Company - WI
Otter Tail Power Company
Union Electric Company

## Benchmarking: Metrics Evaluated

- A variety of performance metrics were evaluated for both proxy groups. Categories evaluated included:
  - Transmission O&M
  - Revenues & Net Income
  - A&G Expense
  - Transmission plant
  - Total O&M
  - Transmission Plant Growth
- Each of these metrics were assessed using three different bases of comparison to standardize the measures to the degree possible. Bases of comparison included:

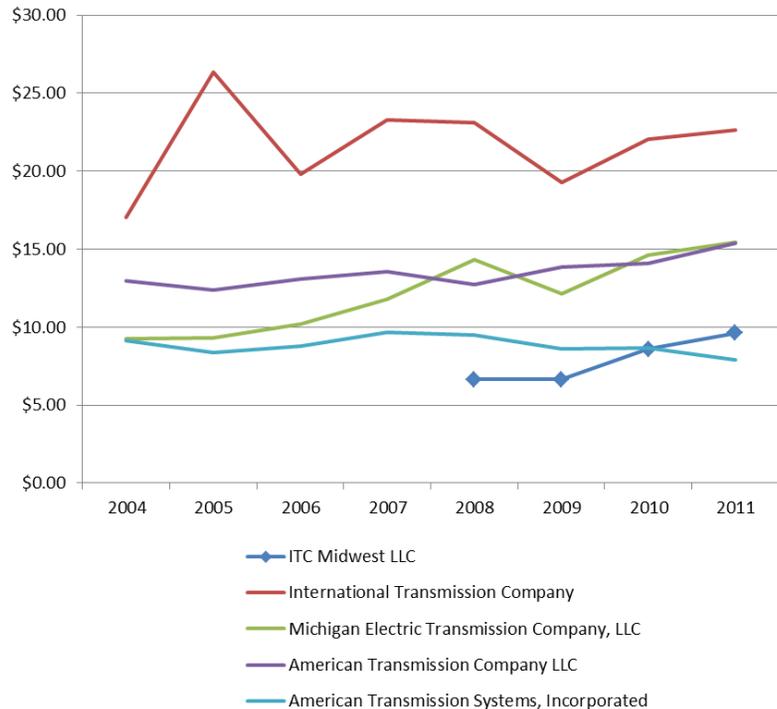
Basis of Comparison	Purpose
<b>Transmission System Length (miles)</b>	The length of the transmission system is a proxy for the magnitude of infrastructure capital that must be maintained.
<b>System Peak Load (MW)</b>	Peak Load is an indication of the relative traffic on the system.
<b>Transmission Plant (\$)</b>	Plant, and changes in plant demonstrate the capital investment being made to support the transmission system, and are an alternative to Transmission System Length as a proxy for the magnitude of infrastructure that must be supported and maintained.

- Data used for the benchmarking analysis comes from FERC Form 1 filings, and was gathered using SNL Financial.

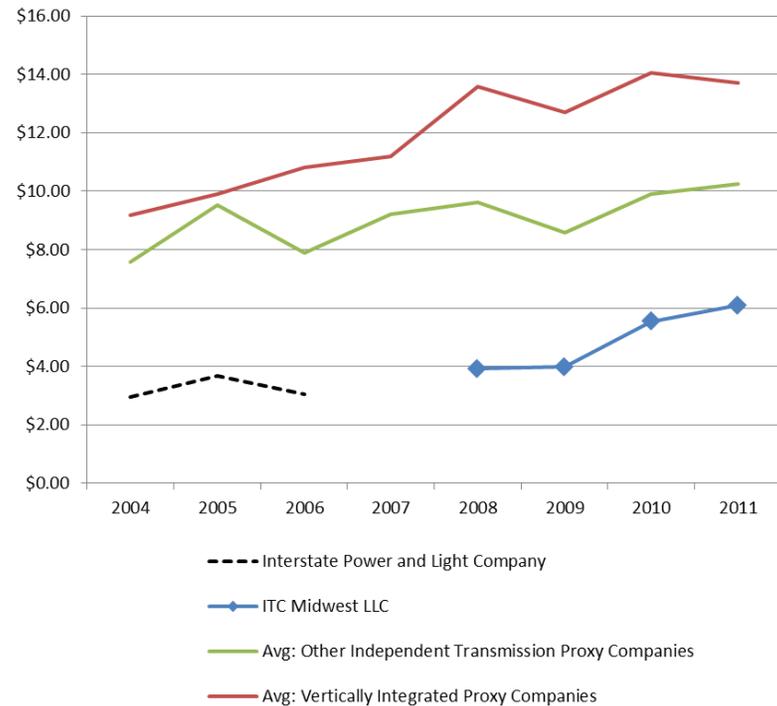
## Transmission O&M Expenses per Line Mile

Comparison of O&M expense categories (Transmission O&M, A&G, Total O&M) indicate that costs are in alignment with trends in the electric utility industry. Below are examples of metrics measured on a “\$/Mile of Transmission Line” basis:

**ITC-Midwest Compared to Transmission Utilities:  
Total Electric O&M Expense per Line Mile (2004-2011)**



**ITC-Midwest and IPL Compared to Peer Group Averages:  
Transmission O&M Expense per Line Mile (2004-2011)**

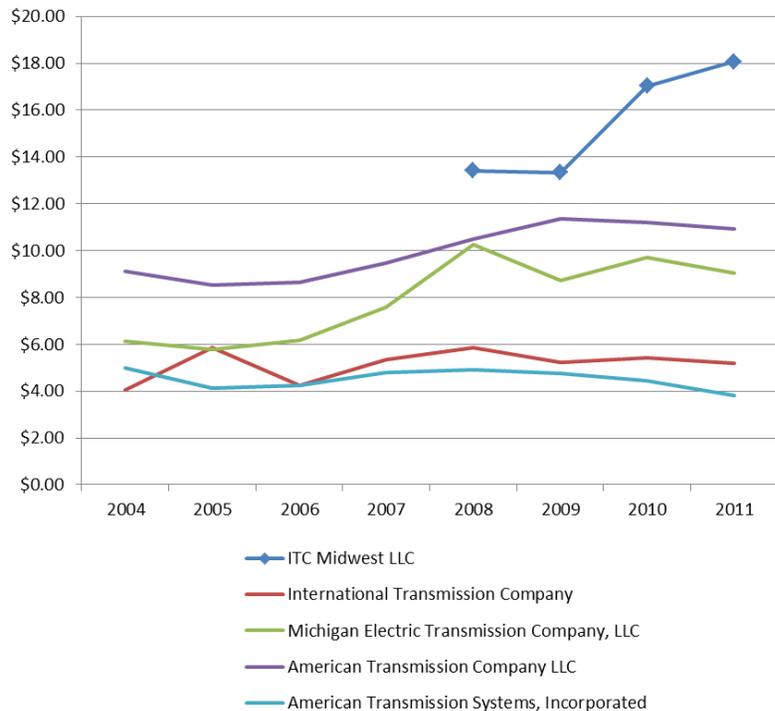


**Note:** Total Electric O&M Expense includes Administrative and General Expense. This is why the ITC-Midwest cost per line mile figures differ in the two charts above.

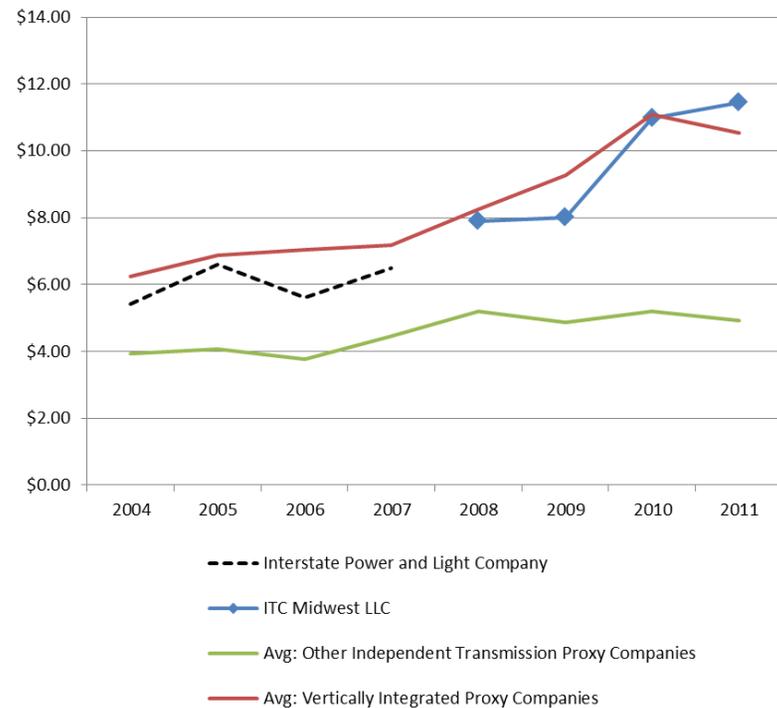
# Transmission O&M Expenses per Peak Megawatt

O&M expense categories measured on a “\$/Peak Megawatt” basis reflect ITC’s rising investments in transmission improvements during a period of static peak system demand:

**ITC-Midwest Compared to Transmission Utilities:  
Total Electric O&M Expense per Peak MW (2004-2011)\***



**ITC-Midwest and IPL Compared to Peer Group Averages:  
Transmission O&M Expense per Peak MW (2004-2011)\***

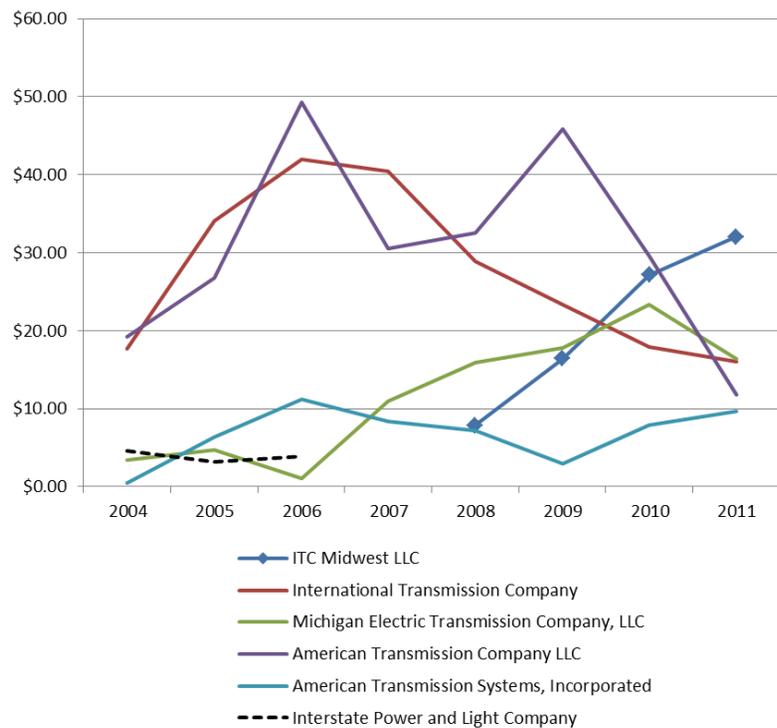


**Note:** Total Electric O&M Expense includes Administrative and General Expense. This is why the ITC-Midwest cost per line mile figures differ in the two charts above.

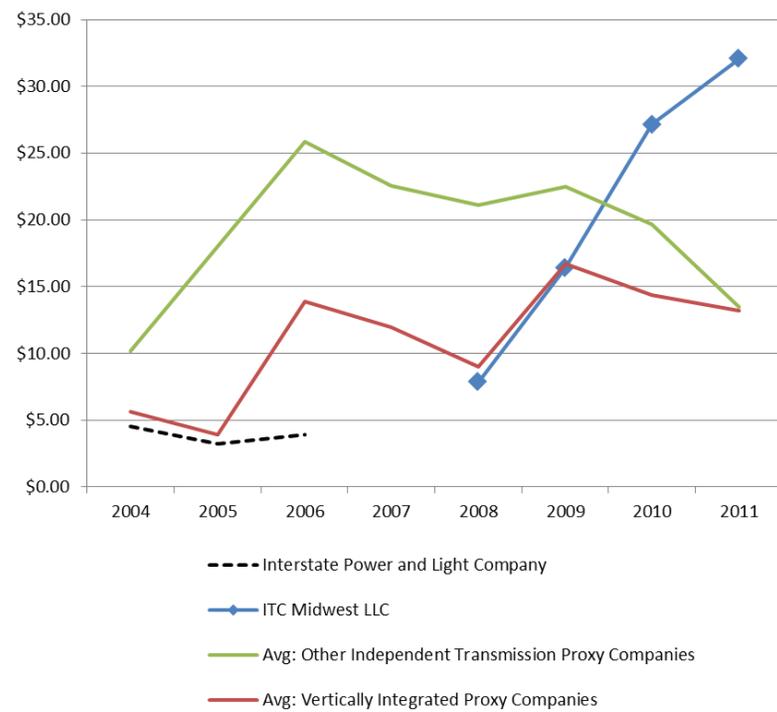
## Additions to Transmission Plant per Line Mile

- Benchmarking comparisons indicate that ITC-Midwest’s costs per mile and per peak megawatt are consistent with the costs of similar utilities and consistent with investments made to improve the transmission system.
- However, ITC-Midwest’s recent capital investments (as measured by additions to transmission plant) have risen much more rapidly than peer utilities beginning in approximately 2008.

**ITC-Midwest Compared to Transmission Utilities:  
Additions to Transmission Plant per Line Mile (2004-2011)**



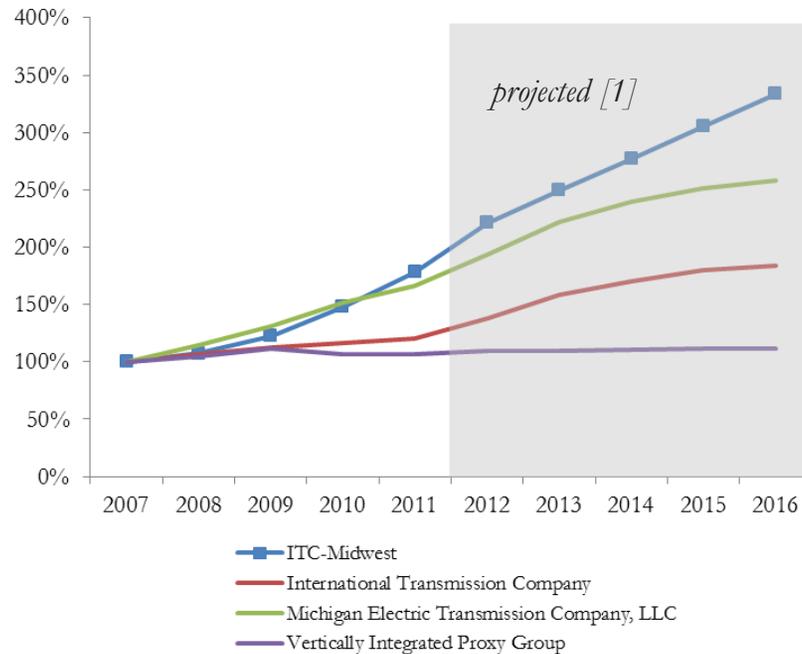
**ITC-Midwest and IPL Compared to Peer Group Averages:  
Additions to Transmission Plant per Line Mile (2004-2011)**



## Future Growth Expectations

- ITC-Midwest’s aggressive growth between 2008 and 2011 is expected to continue at least through 2016.
- Capital spending in the ITC-Midwest service territory is expected to exceed investments in other ITC Holdings subsidiaries through at least 2016.

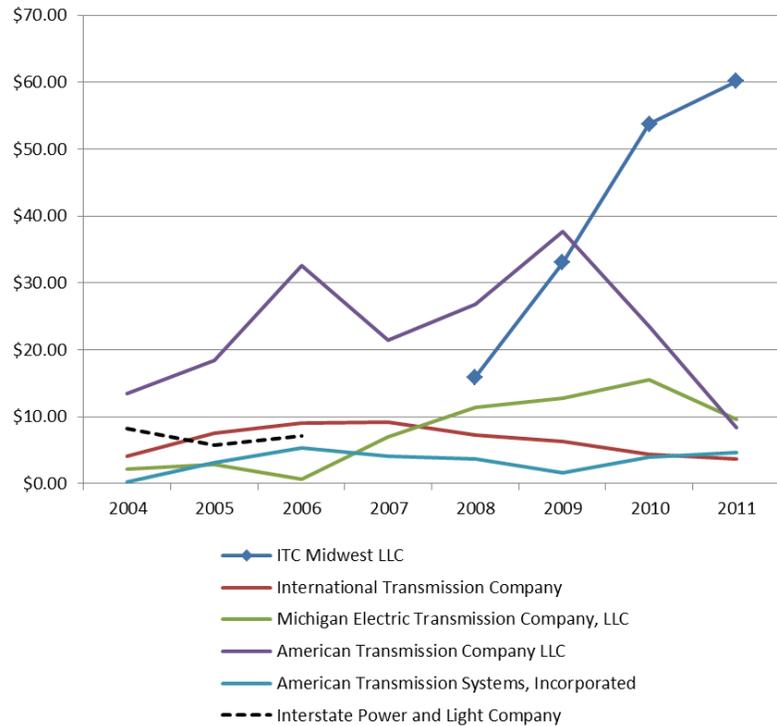
**Transmission Plant 2007-2011 (2007=100%),  
with Projections through 2016**



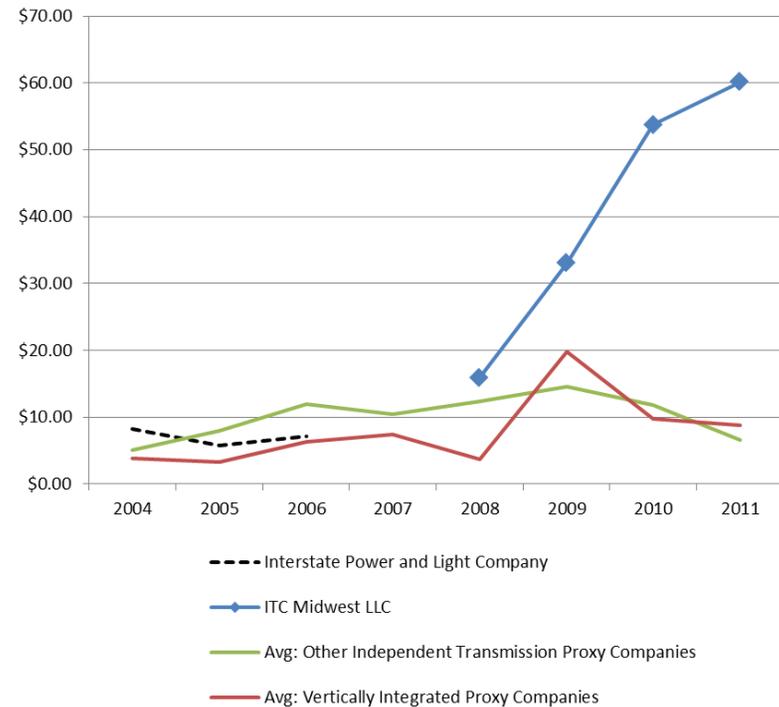
[1] Growth is projected for the ITC Holdings subsidiaries using forecast Capital Expenditure figures published in a May 20, 2012 investor presentation (similar data were not available for American Transmission Company and American Transmission Systems, the other two members of the Independent Transmission proxy group). Future growth for the vertically integrated comparable companies is projected from the trend in 2004-2011 data.

# Additions to Transmission Plant per Peak Megawatt

**ITC-Midwest Compared to Transmission Utilities:  
Additions to Transmission Plant per Peak Megawatt  
(2004-2011)**

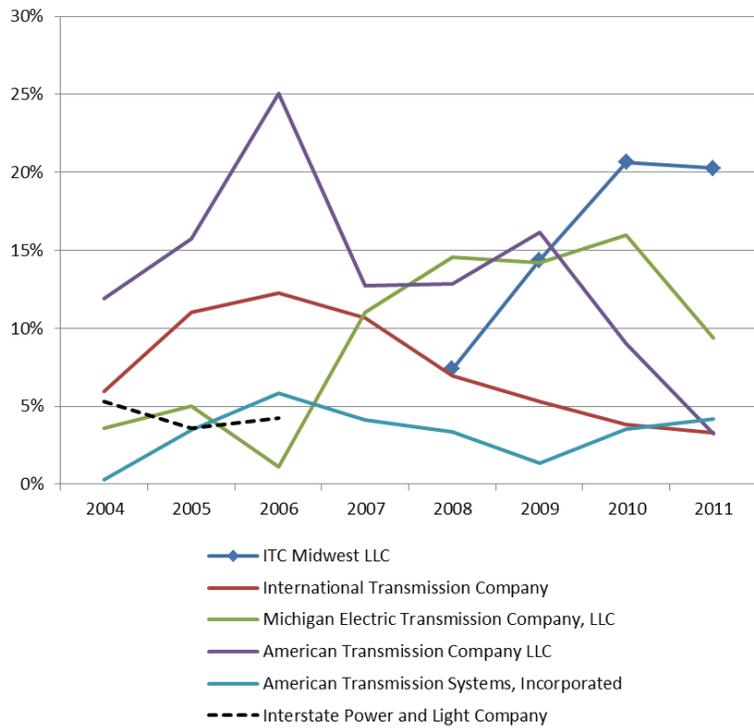


**ITC-Midwest and IPL Compared to Peer Group Averages:  
Additions to Transmission Plant per Peak Megawatt  
(2004-2011)**

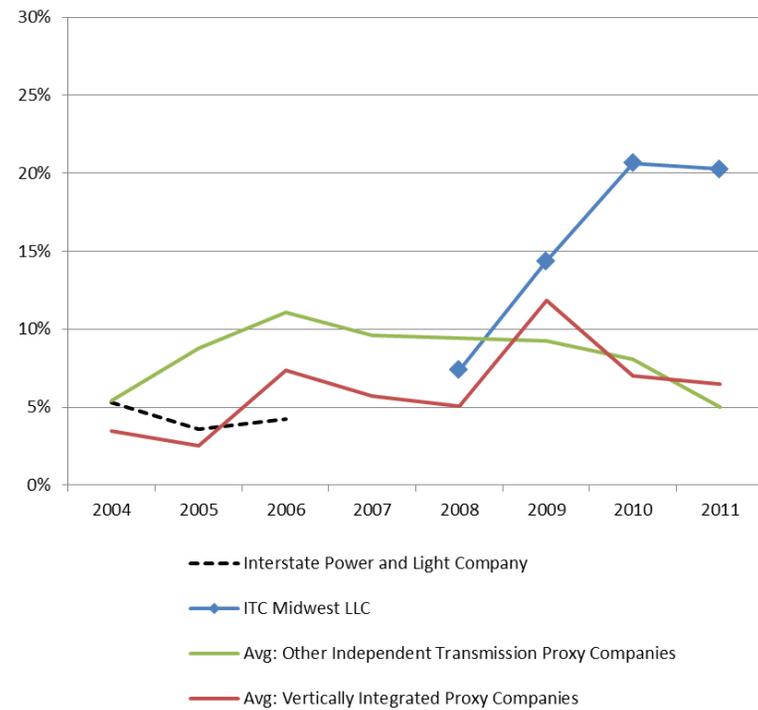


# Transmission Plant Growth

ITC-Midwest Compared to Transmission Utilities:  
Transmission Plant Growth (2004-2011)



ITC-Midwest and IPL Compared to Peer Group Averages:  
Transmission Plant Growth (2004-2011)



## Conclusions

- When evaluated on a Dollars per Mile of Transmission Line basis, ITC-Midwest's transmission O&M costs are reasonable compared to other utilities (both independent transmission companies and vertically integrated utilities with transmission assets).
  - When compared in terms of Dollars per Peak Megawatt, costs also appear reasonable but reflect growing investment during a period of relatively constant demand.
- Transmission costs to IPL consumers are expected to rise over time as ITC-Midwest investment in system improvements takes place. IPL has, however, noted a marked upward trajectory in costs beginning soon after divesting its transmission assets.
- ITC Holding's capital investment plans anticipate that approximately \$1.1 billion will be invested in the ITC-Midwest system between 2012 and 2016. These significant investments imply rising transmission service costs to IPL's customers into the future.
- ITC-Midwest's transmission investments will not be matched with substantial growth in IPL's customers, system demand, or service territory expansion.

## Appendix 8 – Transmission Stakeholder Meeting Information

Invitation and attendee lists, agenda, meeting summary and presentation slides follow:

Representatives of the following customers, customer representatives and other stakeholders were invited to attend the November 28, 2012 Transmission Stakeholder meeting in Cedar Rapids:

- Archer Daniels Midland Company
- Ag Processing Inc.
- Cargill, Incorporated
- City of Cedar Rapids IA
- Deere & Company
- Climax Molybdenum Company
- Genencor International, Inc.
- General Mills, Inc.
- Griffin Wheel
- Guardian Industries
- International Paper Company
- Iowa Consumers Coalition
- ITC Midwest
- Large Energy Group, Latham & Associates, Inc.
- Lehigh Cement Company
- LyondellBasell Industries N.V. - Equistar
- Mercy Medical Center – Cedar Rapids
- Nestle Purina Petcare
- Office of Consumer Advocate, State of Iowa
- Penford Products Co.
- PMX Industries, Inc.
- Quaker Oats
- Ralston Foods
- Rockwell Collins Inc.
- Roquette America Inc.
- St. Luke's Hospital – Cedar Rapids

Those customers, customer representatives and other stakeholders in attendance were:

- Gary Chesnut – Ag Processing Inc. (by phone)
- Mark Robinson - General Mills
- Jon Burns - International Paper (by phone)
- Bill Burns – International Paper
- Jim Dauphinais - Iowa Consumers Coalition
- Dan Frank – Iowa Consumers Coalition
- Matt Corkery - Rockwell Collins
- Dean Archer – City of Cedar Rapids
- Bob Latham - Large Energy Group (LEG)

- Jeffrey Kaman - John Deere
- Mark Weldon – Quaker Oats / PepsiCo
- Erwin Froelich – Penford Products Co.
- Monty Watt – PMX Industries, Inc.
- Ron Schmitt – Roquette America Inc.
- John Long - Iowa Department of Justice, Office of Consumer Advocate (OCA)
- Karen Finnegan – OCA
- Brad Birchfield – Delta Energy LLC (for Griffin Wheel)
- Jeff Eddy - ITC-M (Presenter)
- Lisa Stump - ITC-M
- Mike Dabney – ITC-M

IPL staff members in attendance were:

- Tom Aller
- Randy Bauer
- Erik Madsen
- Bernie Oleksa
- Stacy Van Zante
- John Weyer
- Susan Koch
- Jeanine Penticoff
- Nancy Snaadt
- Chad Wiltz
- Jim Collins (by phone)
- Mary Meisterling
- May Farlinger
- Kathy Garrett
- Brad Morgan



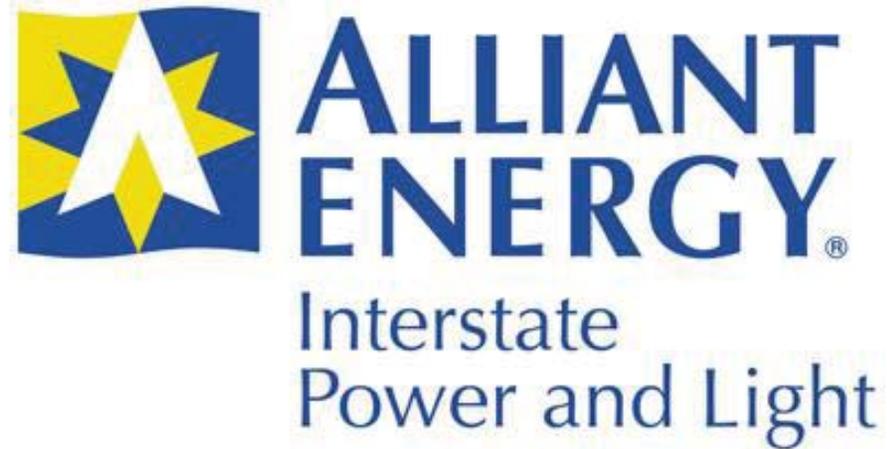
## Transmission Stakeholder Meeting

Wednesday, November 28, 2012  
1:00 – 4:00 PM

The Kirkwood Hotel and Conference Center, Cedar Rapids, IA

### Agenda

Topic	Presenters
Welcome & Introductions	John Weyer Tom Aller
IPL Update <ul style="list-style-type: none"> <li>• IPL's analysis of ITC Midwest rates</li> <li>• Regulatory update</li> <li>• Transmission Reliability &amp; Operations Coordination</li> </ul>	John Weyer
ITC Midwest Update	Jeff Eddy, ITC Midwest
Presentation from FERC Commissioner John Norris	John Norris
Interactive stakeholder discussion -- transmission service cost and reliability interests	All
Conclusions & Next Steps	John Weyer



## **Transmission Stakeholder Meeting**

The Kirkwood Hotel and Conference Center  
Cedar Rapids, Iowa  
November 28, 2012

# Welcome & Introductions

---

**John Weyer**

Manager - Transmission Services

Alliant Energy – Interstate Power and Light Co. (IPL)

# Today's Agenda

---

- Welcome & Introductions
- IPL Update
- ITC Midwest Update
- Phone Presentation from FERC Commissioner John Norris
- Interactive Stakeholder Discussion
- Conclusions & Next Steps

# Welcome

---

**Tom Aller**  
President

Alliant Energy – Interstate Power and Light Co. (IPL)

---

# IPL Update

**John Weyer**

Manager - Transmission Services

Alliant Energy – IPL

# IPL Update

---

- ITC Midwest Transmission Rates
- Regulatory Activity
- Transmission Reliability and Operations Coordination

# ITC Midwest Transmission Rates

---

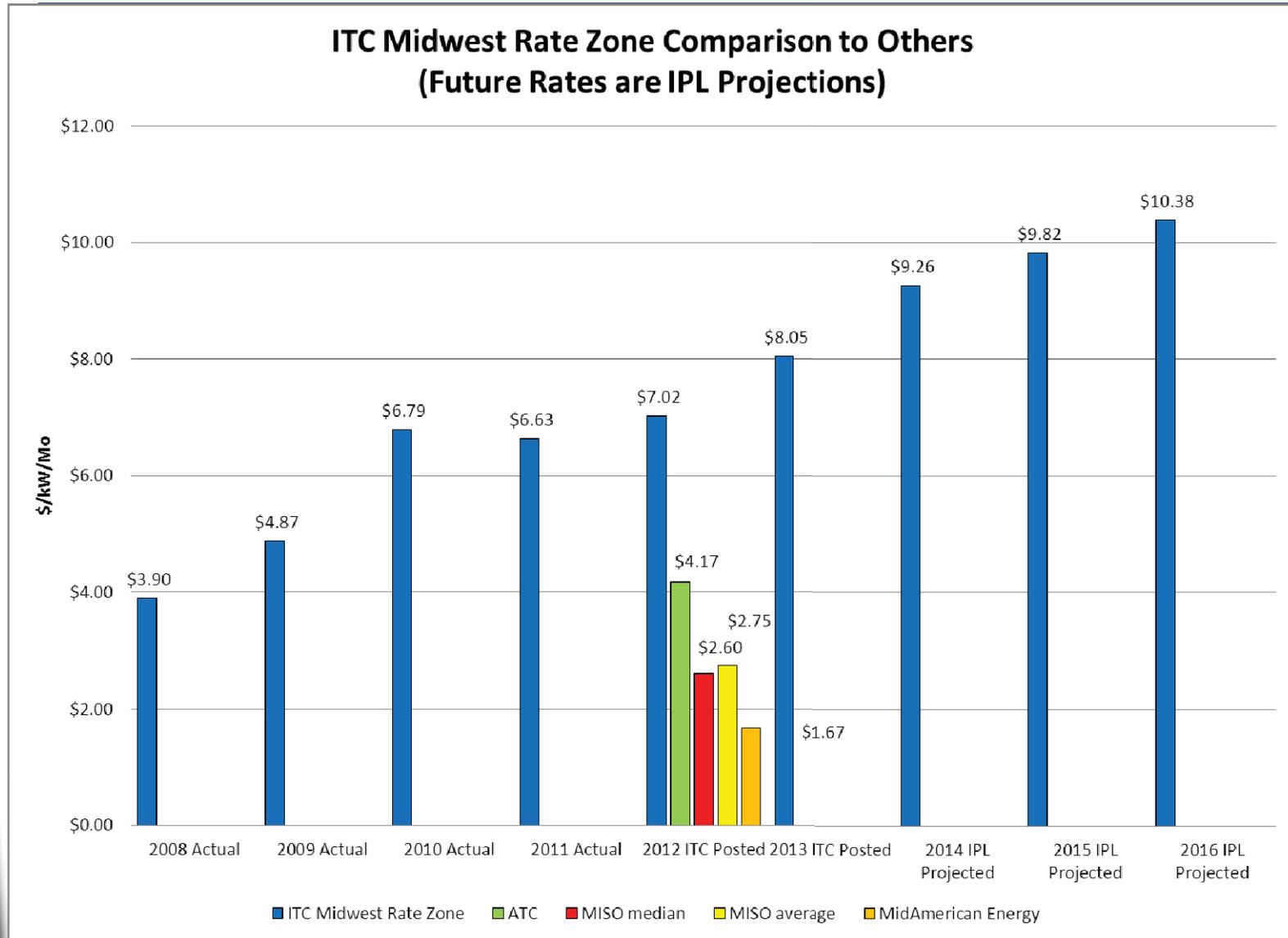
- IPL forecasted ITC Midwest transmission rates and provided at the June Stakeholder's meeting, based on:
  - ITC Midwest revenue requirements projection provided in March
  - IPL projections of other variables in the formula rate
- ITC Midwest Attachment O rate for 2013 was posted September 1
  - Announced rate of \$7.805/kW/Mo., in line with IPL's forecast
  - About 15% increase from 2012
- IPL submitted several follow up questions to ITC Midwest following the October Partners in Business meeting
  - ITC Midwest responded

# ITC Midwest Transmission Rates

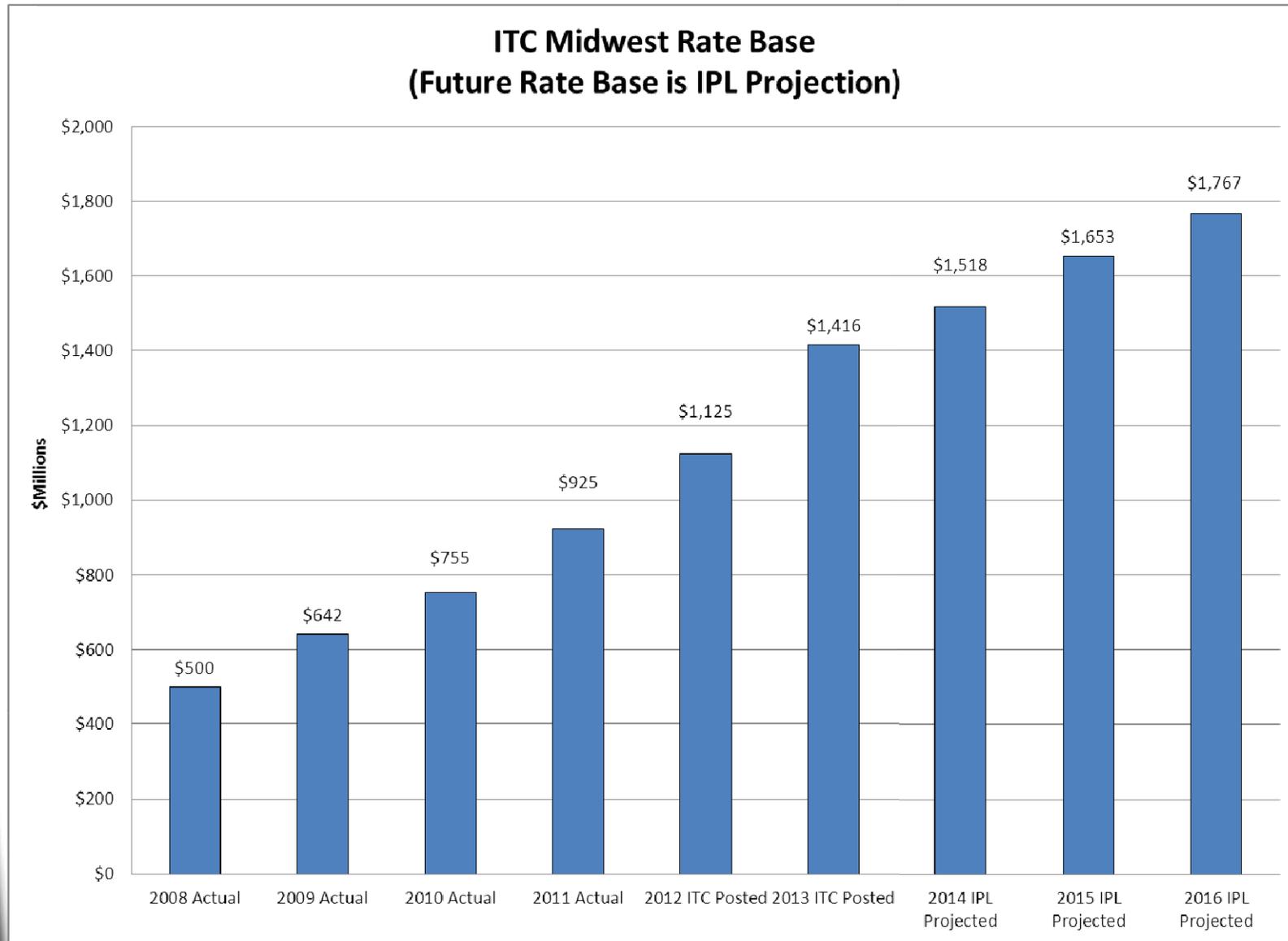
---

- IPL has asked ITC Midwest for any updated revenue requirement or capital expenditure projections
- None available from ITC Midwest at this time, therefore no new forecast updates from IPL
- IPL Transmission Rider Factor update
- IPL Energy Price Outlook update via webinar expected again January-February 2013

# ITC Midwest Comparison



# Projected ITC Midwest Rate Base

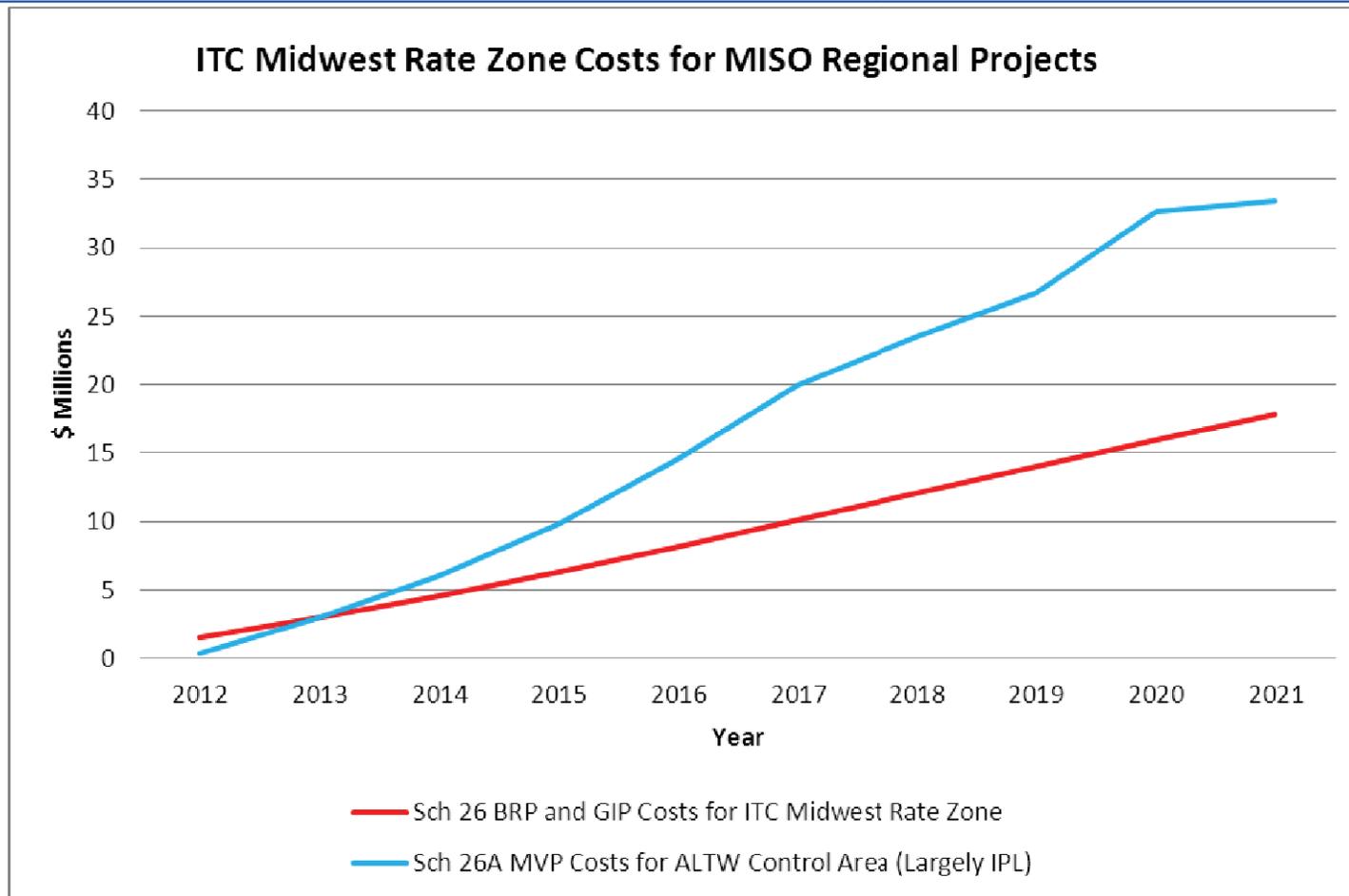


# IPL Forecast Analysis Conclusions

---

- Key driver impacting ITC Midwest rate increases is the new capital investment each year which rapidly adds to rate base
- IPL's strategy continues to be influencing transmission cost by advocacy for IPL customers with ITC Midwest, MISO and through regulatory policy
- Specifically, IPL continues to do so through:
  - Close coordination with ITC Midwest on project planning and costs
  - Active engagement with the MTEP process at MISO on projects and challenging ITC Midwest project costs, priorities, and justifications
  - Active engagement at FERC on cost allocation issues (such as ITC Midwest's Attachment FF)

# MISO Regional Project Rate Forecast



MVPs increase thru 2021, then **decrease.**

- Projected by MISO.
- While both MISO costs are components of IPL transmission costs and increasing, they are an order of magnitude less than ITC Midwest costs.

# Regulatory Activity

---

- FERC Investigation of MISO Attachment O
- FERC Audit of ITC Holdings
- ITC Midwest Attachment FF
- ITC – Entergy Transaction

# FERC Investigation into MISO Attachment O

(EL12-35-000)

---

- Complaints received related to formula rates
- Current structure may be unjust, unreasonable, unduly discriminatory or preferential, or otherwise unlawful
- Areas of concern include:
  - Scope of participation
  - Transparency of the information
  - Ability to challenge
- IPL filed comments supporting investigation and suggesting improvements in the areas of concern

# FERC Audit of ITC Holdings (PA10-13-000)

---

- Among other things, FERC reviewed ITC Holdings compliance with FERC order approving acquisition of IPL's transmission assets
- Issues found include:
  - Improperly recovered amounts associated with the tax effects of amortized goodwill (over collection through rates)
- IPL filed comments supporting FERC findings and stated that conflict "must be resolved in favor of customers"
- Over collection finding contested by ITC, upheld by FERC
- ITC Midwest's compliance plan proposes refund of over collected rates totaling \$2.6 million be included in its next rate true up
- FERC has not yet formally accepted the compliance plan, but is expected to do so

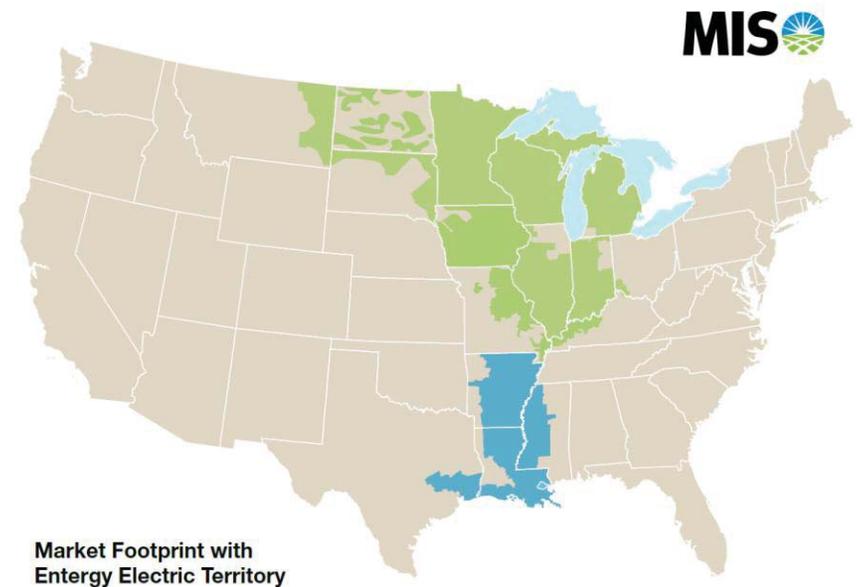
# ITC Midwest Attachment FF (EL12-104-000)

---

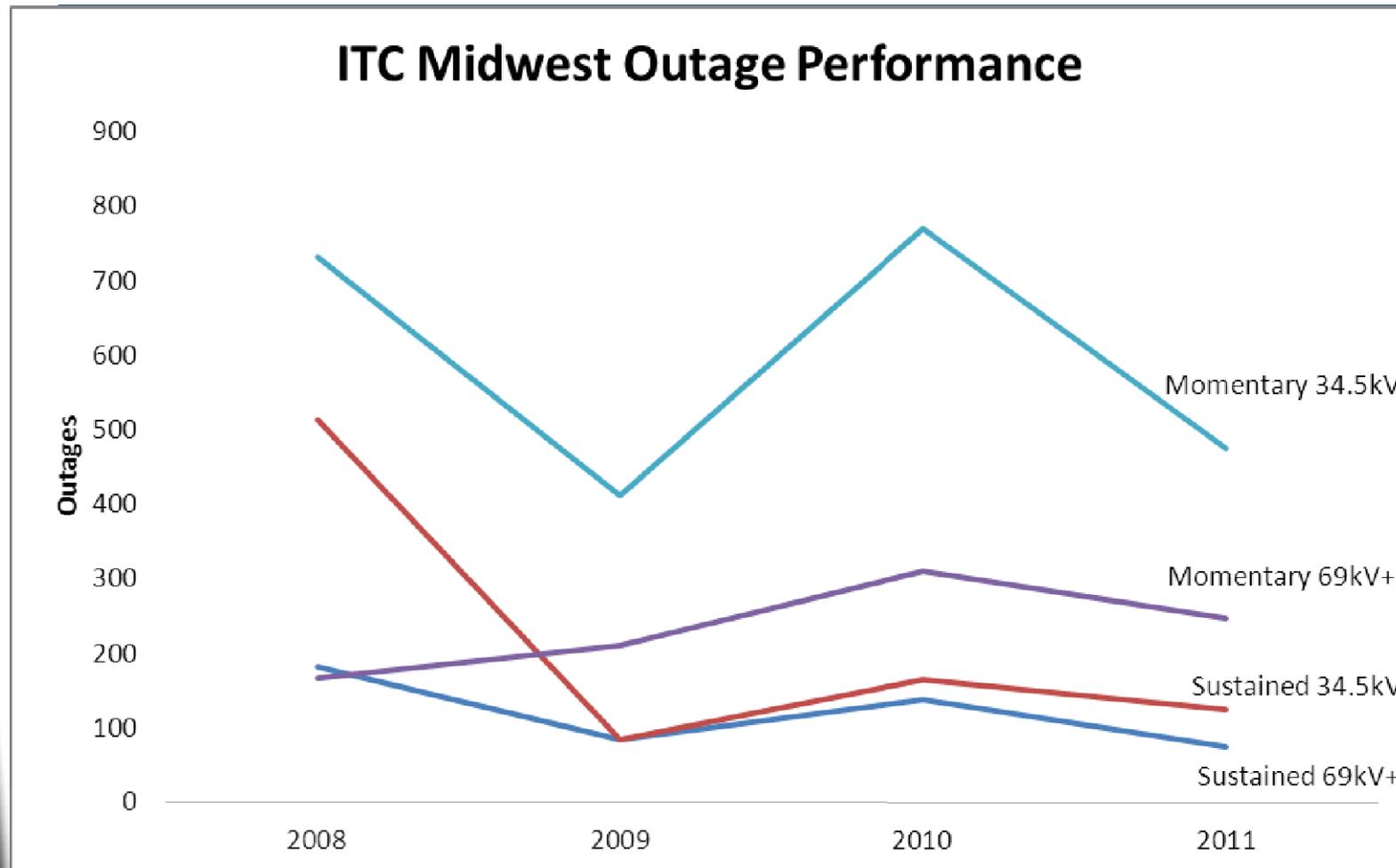
- ITC Midwest implementation provides for 100% reimbursement for network upgrades associated with Generator Interconnect Projects
  - Different from majority of MISO footprint
  - Policy leading to large costs placed on IPL's customers
  - Wind build out
- IPL Efforts
  - ITC Midwest
  - MISO
  - FERC
- IPL filed at FERC
  - Customers are significantly and unfairly disadvantaged
  - IPL calculates \$170 million cost shift to IPL customers 2008-2016.
  - Interconnection customer should fund 100% of upgrades rated below 345kV and 90% for those rated above 345kV
  - Numerous supporting comments from stakeholders, transmission dependent utilities, state commissions, others

# ITC - Entergy Transaction (ER12-480-000)

- Entergy previously announced intent in 2011 to join MISO
- ITC and Entergy announced intent in 2012 for ITC to acquire Entergy transmission assets
- Regulatory approval applications have substantially been made and are in process
- IPL concerns
  - Cost allocation across ITC companies
  - Impact to ITC Midwest rates
  - Potential diversion of management attention from ITC Midwest
- IPL raised concerns, ITC responded
- IPL will file comments, currently under review



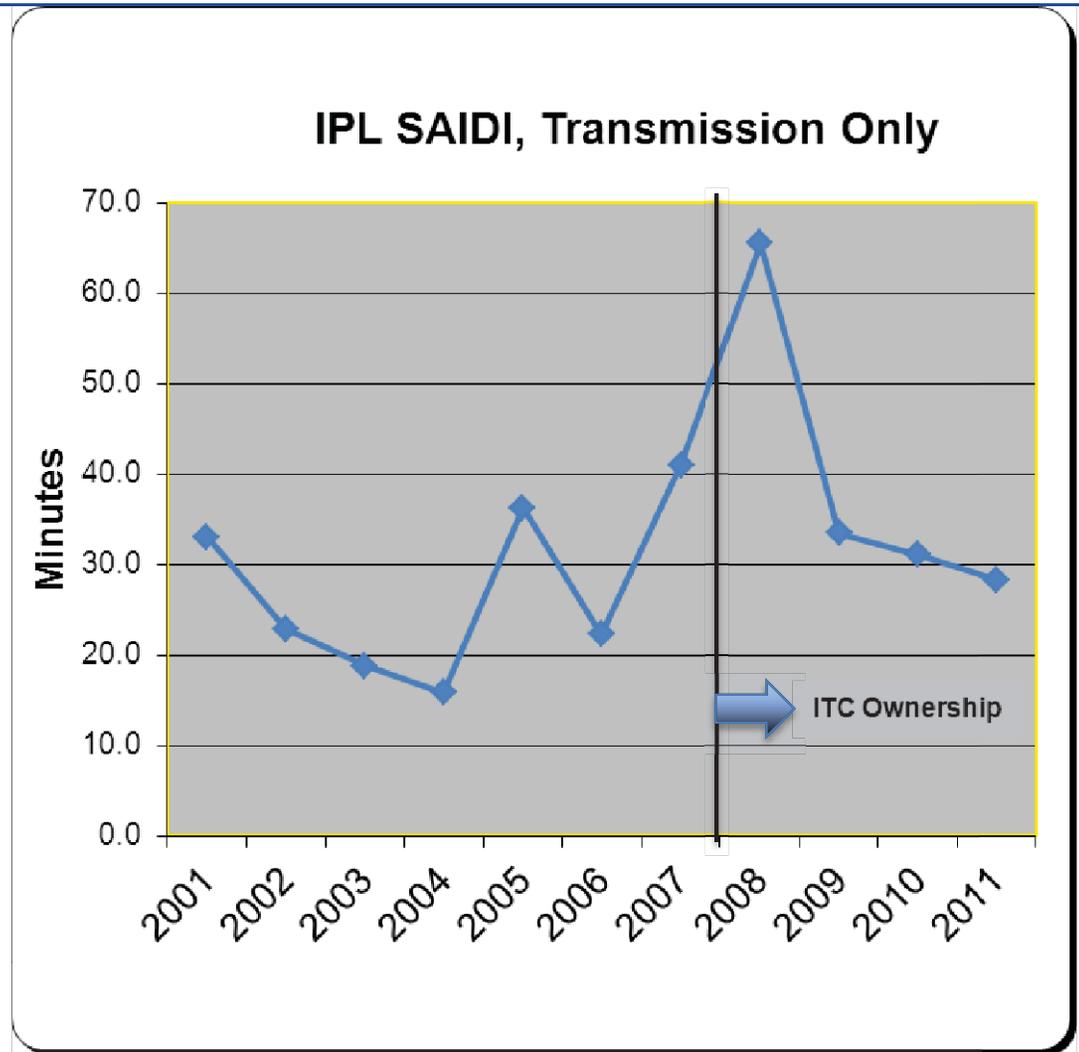
# Transmission Reliability



- Significant storm activity increase 2010
- Overall, reduction in sustained outages 69kV and above
- Modest increase in momentary outages might be attributed to improved maintenance, including aggressive vegetation program by ITC Midwest. Some events that may have resulted in a sustained outages in the past are now only momentary.

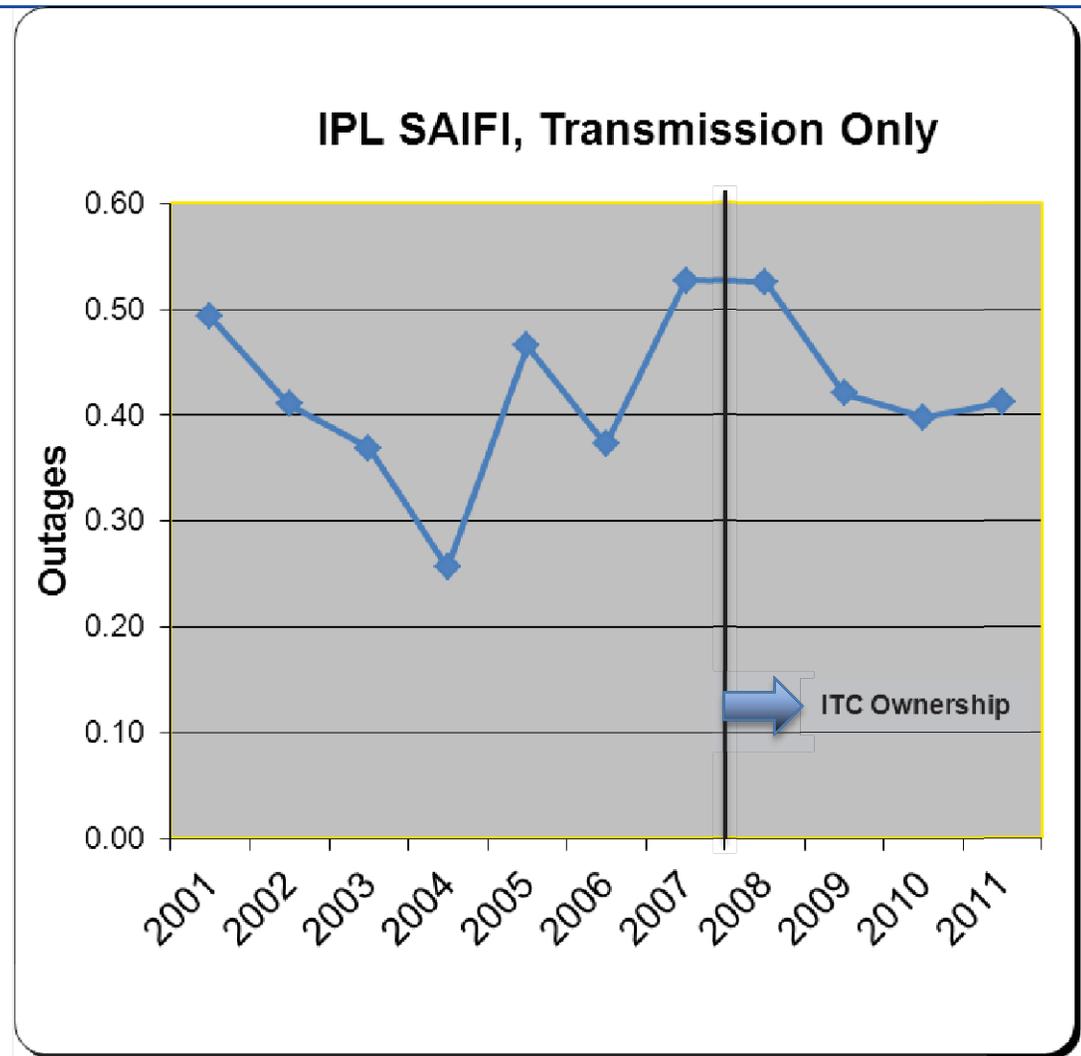
# Transmission Reliability

- SAIDI (System Average Interruption Duration Index) – Industry standard metric of average length in minutes of outages for all customers.
- Excludes "major" events (i.e. 2007 ice storms, 2008 floods) using IUB criteria for data normalization.



# Transmission Reliability

- SAIFI (System Average Interruption Frequency Index) – Industry standard metric of average number of outages experienced by all customers.
- Excludes "major" events (i.e. 2007 ice storms, 2008 floods) using IUB criteria for data normalization.



# Transmission Reliability

---

- Multi-year trending analysis will be updated once full year 2012 data is available
- Much fewer transmission outage events 2012 year-to-date than prior years, in part attributed to milder weather and in part to ITC Midwest efforts
- IPL believes that reliability is improving, in part due to ITC Midwest maintenance, rebuilds , conversion, and new facility construction; however the number of years experience remains relatively short and year-to-year weather volatility high.

# Transmission Operations Coordination

---

- Continued work and progress on improvement to planned outage process, particularly relating to:
  - Effects on IPL industrial customers
  - ITC Midwest maintenance
  
- IPL and ITC Midwest collaboration on improved communications with IPL customers.

---

# ITC Midwest Update

**Jeff Eddy**  
Manager – Planning  
ITC Midwest

Alliant Energy  
Industrial Customer Meeting  
*November 28, 2012*

# ITC Midwest Overview

Jeff Eddy,  
Manager - Planning



# Safe Harbor Language & Legal Disclosure

This document and the exhibits hereto contain certain statements that describe ITC Holdings Corp. (“ITC”) management’s beliefs concerning future business conditions and prospects, growth opportunities and the outlook for ITC’s business, including ITC’s business and the electric transmission industry based upon information currently available. Such statements are “forward-looking” statements within the meaning of the Private Securities Litigation Reform Act of 1995. Wherever possible, ITC has identified these forward-looking statements by words such as “anticipates”, “believes”, “intends”, “estimates”, “expects”, “projects” and similar phrases. These forward-looking statements are based upon assumptions ITC management believes are reasonable. Such forward-looking statements are subject to risks and uncertainties which could cause ITC’s actual results, performance and achievements to differ materially from those expressed in, or implied by, these statements, including, among other things, (a) the risks and uncertainties disclosed in ITC’s annual report on Form 10-K and ITC’s quarterly reports on Form 10-Q filed with the Securities and Exchange Commission (the “SEC”) from time to time and (b) the following transactional factors (in addition to others described elsewhere in this document, in the preliminary proxy statement/prospectus included in the registration statement on Form S-4 that ITC filed with the SEC on September 25, 2012 in connection with the proposed transactions, and in subsequent filings with the SEC): (i) risks inherent in the contemplated transaction, including: (A) failure to obtain approval by the Company’s shareholders; (B) failure to obtain regulatory approvals necessary to consummate the transaction or to obtain regulatory approvals on favorable terms; (C) the ability to obtain the required financings; (D) delays in consummating the transaction or the failure to consummate the transactions; and (E) exceeding the expected costs of the transactions; (ii) legislative and regulatory actions, and (iii) conditions of the capital markets during the periods covered by the forward-looking statements.

Because ITC’s forward-looking statements are based on estimates and assumptions that are subject to significant business, economic and competitive uncertainties, many of which are beyond ITC’s control or are subject to change, actual results could be materially different and any or all of ITC’s forward-looking statements may turn out to be wrong. They speak only as of the date made and can be affected by assumptions ITC might make or by known or unknown risks and uncertainties. Many factors mentioned in this document and the exhibits hereto and in ITC’s annual and quarterly reports will be important in determining future results. Consequently, ITC cannot assure you that ITC’s expectations or forecasts expressed in such forward-looking statements will be achieved. Actual future results may vary materially. Except as required by law, ITC undertakes no obligation to publicly update any of ITC’s forward-looking or other statements, whether as a result of new information, future events, or otherwise.

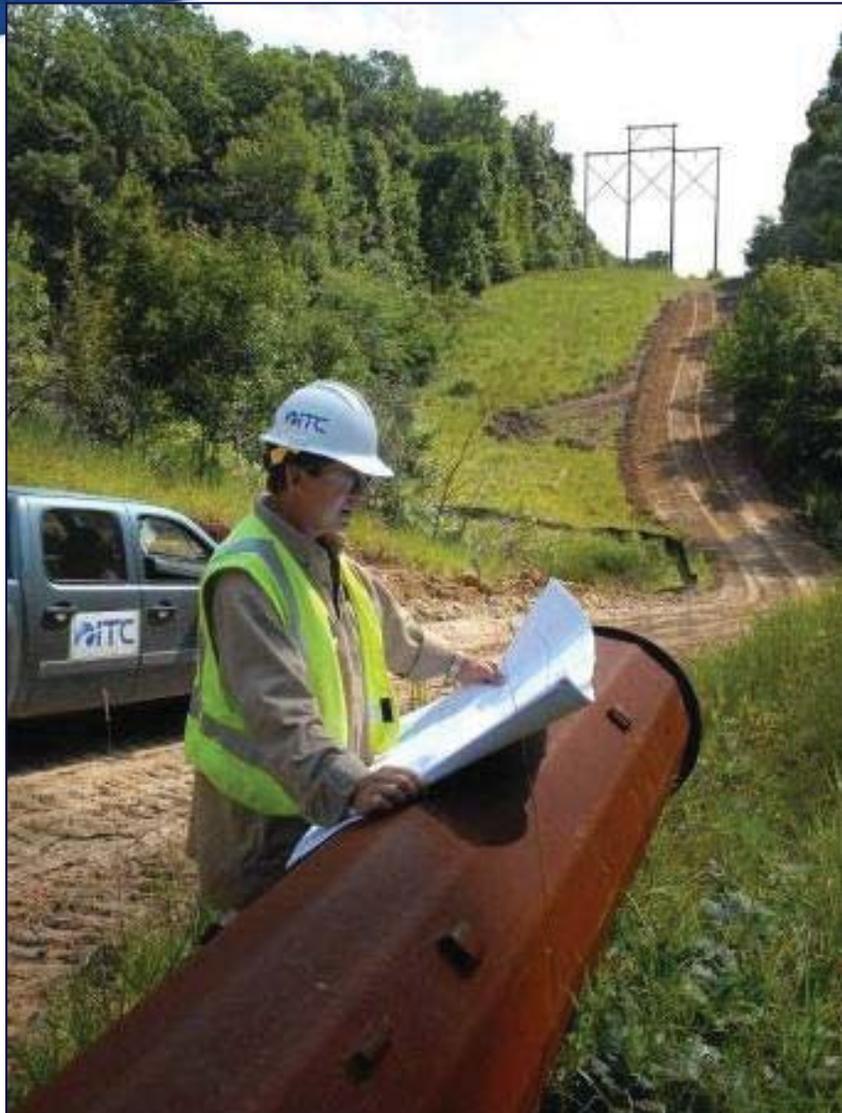
The transaction is subject to certain conditions precedent, including regulatory approvals, approval of ITC’s shareholders and the availability of financing. ITC cannot provide any assurance that the proposed transactions related thereto will be completed, nor can it give assurances as to the terms on which such transactions will be consummated.

# Safe Harbor Language & Legal Disclosure

On September 25, 2012, ITC filed a registration statement on Form S-4 with the SEC registering shares of ITC common stock to be issued to Entergy shareholders in connection with the proposed transactions, but this registration statement has not become effective. This registration statement includes a proxy statement of ITC that also constitutes a prospectus of ITC, and will be sent to ITC shareholders. In addition, Mid South TransCo LLC (TransCo) will file a registration statement with the SEC registering TransCo common units to be issued to Entergy shareholders in connection with the proposed transactions. Entergy shareholders are urged to read the proxy statement/prospectus included in the ITC registration statement and the proxy statement/prospectus to be included in the TransCo registration statement (when available) and any other relevant documents, because they contain important information about ITC, TransCo and the proposed transactions. ITC shareholders are urged to read the proxy statement/prospectus included in the ITC registration statement and any other relevant documents because they contain important information about TransCo and the proposed transactions. The proxy statement/prospectus and other documents relating to the proposed transactions (when they are available) can be obtained free of charge from the SEC's website at [www.sec.gov](http://www.sec.gov). The documents, when available, can also be obtained free of charge from Entergy upon written request to Entergy Corporation, Investor Relations, P.O. Box 61000 New Orleans, LA 70161 or by calling Entergy's Investor Relations information line at 1-888-ENERGY (368-3749), or from ITC upon written request to ITC Holdings Corp., Investor Relations, 27175 Energy Way, Novi, MI 48377 or by calling 248-946-3000.

This communication is not a solicitation of a proxy from any security holder of ITC. However, Entergy, ITC and certain of their respective directors and executive officers and certain other members of management and employees may be deemed to be participants in the solicitation of proxies from shareholders of ITC in connection with the proposed transaction under the rules of the SEC. Information about the directors and executive officers of Entergy, may be found in its 2011 Annual Report on Form 10-K filed with the SEC on February 28, 2012, and its definitive proxy statement relating to its 2012 Annual Meeting of Shareholders filed with the SEC on March 23, 2012. Information about the directors and executive officers of ITC may be found in its 2011 Annual Report on Form 10-K filed with the SEC on February 22, 2012, and its definitive proxy statement relating to its 2012 Annual Meeting of Shareholders filed with the SEC on April 12, 2012.

# Agenda



- **ITC Midwest Capital Investments**
  - Project Overview
  - 34.5kV to 69kV Projects
- **Reliability Overview**
- **Multi-Value Project Update**
- **Entergy Transaction Update**



# Capital Investments

## Infrastructure Improvements and System Capacity

- **Invested approximately \$1.064 billion from December 2007 through September 2012**
  - Completed 32 major substation upgrades and expansions
  - Rebuilt approximately 400 miles of existing lines (most at a higher capacity)
  - Replaced three major transformers and added four new transformers
  - Completed construction of 26 new substations and 26 miles of new line
- **Investment Drivers**
  - Improve reliability (based on NERC planning criteria)
  - Improve market efficiency, lower congestion costs, and facilitate efficient generation dispatch
  - Improve condition of old lines to improve reliability and lower line losses
  - Commitments made to retail regulators

# Capital Investments

## ▪ Significant +100kV Reliability Projects

- 80 miles of 115kV line to 161kV from Cedar Rapids to Boone (age and condition plus need for new capacity)
- New 161kV line loop in Cedar Rapids (improve system reliability)
- New 161kV line north of Cedar Rapids (supports new load in the area)
- New 345kV line from Salem Sub to Hazleton Sub (improve reliability and market efficiency in eastern Iowa/regulatory commitment)
- Rebuild 17 miles of 161kV line in Minnesota at the same voltage (age and condition of existing line)
- Rebuild 50 miles of 115kV line to 161kV standards from Marshalltown to Iowa Falls (age and condition plus need for additional capacity due to increased generation in the area)



# Capital Investments

## Generator and Customer Interconnects

### ■ Generator Interconnects

- In first four years of operation, ITCMW completed 16 new generator interconnects, adding approximately 2,200 MW of wind energy production capacity
- Additional wind capacity is more than the total installed wind capacity existing in Iowa in 2007 prior to the acquisition of IPL assets

### ■ Customer Interconnects

- To date, ITCMW has completed 29 load interconnect requests ranging from small single transformer substations to large 50MVA substations
- An additional 35 load interconnect requests are currently in various stages of review and implementation



# Capital Investments

## Containing Capital Investment Costs

- **Active Project Management**
  - Each project is assigned a project manager from Project Engineering
  - Project manager is charged with verifying costs are in line with the work completed
  - Cost variances from monthly and overall forecasts are provided to Finance
- **Project Controls (new function)**
  - Monitors projects to ensure costs are in line with expectations
  - Works closely with Finance and Project Engineering to verify costs and update project forecasts
- **Field Supervisor**
  - Primarily responsible for containing costs in the field
  - Ensures projects are being worked safely, efficiently and per ITCMW's standards and specs, such that rework (and its costs) are avoided
  - First in line to evaluate work scope changes

# Capital Investments

## Containing Capital Investment Costs, Continued

### ■ Use of Alliance Contractors

- Reduces costs associated with training workers in ITC's safety culture and standards (reducing project start-up times)
- Controls costs of equipment being moved from project to project such as trucks, conductor stringing equipment, stringing sheaves, etc.
- Enables use of the same staging area for multiple projects (thus reducing costs)

### ■ Supply Chain

- Objectives: Improve safety, reliability, transmission system accessibility, while achieving the lowest total cost of transmission
- Leverages numerous supply chain relationships and develops strategic alliances with vendors to obtain competitively priced goods and services in a timely manner
- ITC looks at life-cycle costs when evaluating its contractors and suppliers

### ■ Low and Declining Cost of Debt

- ITCMW's projected long-term debt rate for 2013 is 4.95%, compared to actual long-term debt rate of 5.44% in 2011



# Operations and Maintenance Costs

## Peer Group Comparison: Cost/Transmission Line Mile

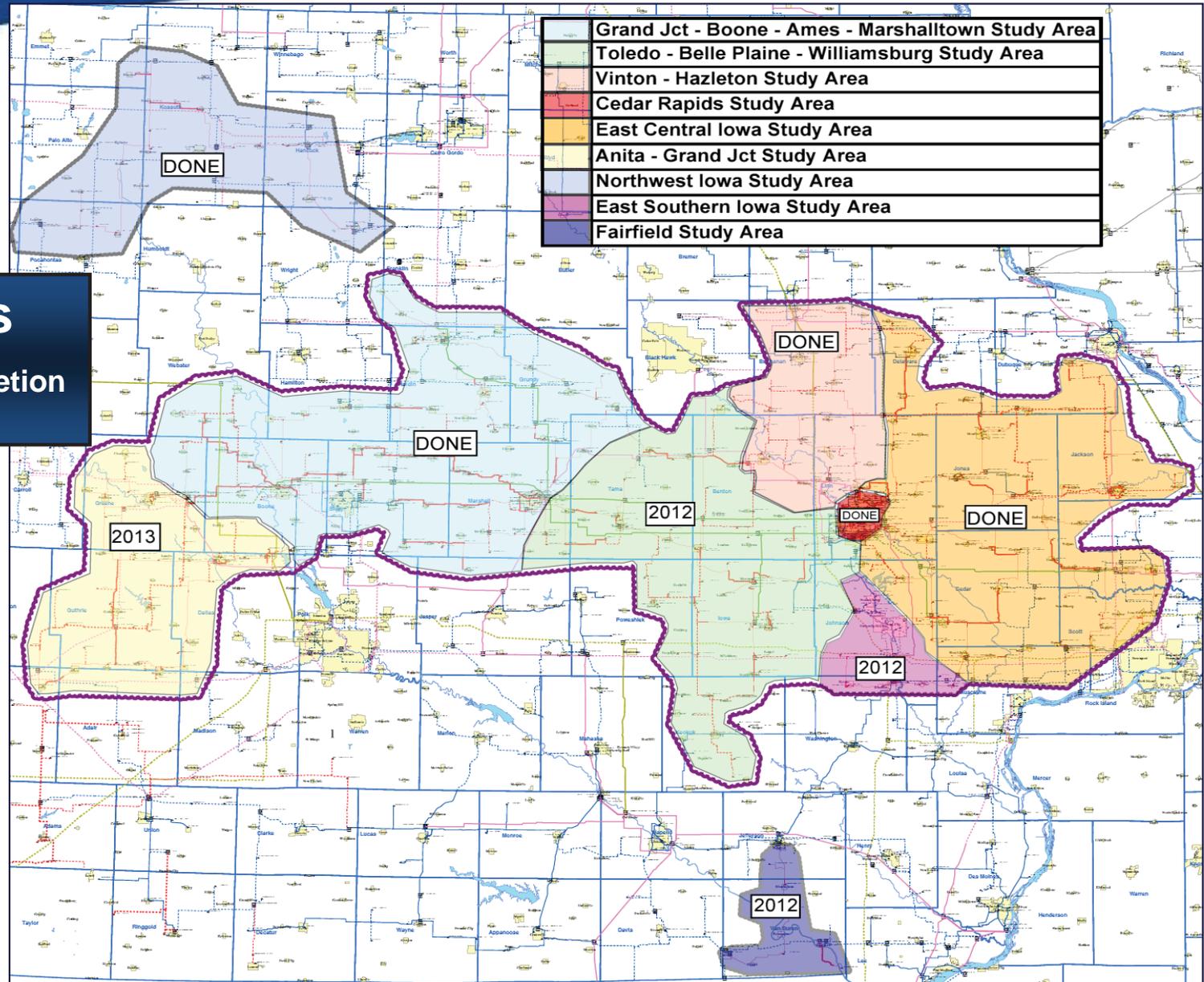
	2008	2009	2010	2011
<b>ITC Holdings Corp.</b>	7.766	6.825	8.805	9.135
International Transmission Company	12.966	10.828	13.553	13.453
Michigan Electric Transmission Company, LLC	9.811	8.223	10.322	10.620
ITC Midwest LLC	3.915	3.985	5.545	6.098
Average of peers (Excluding ITC Companies)	27.273	25.590	25.041	27.886
<b>ITC Peers:</b>				
American Transmission Company, LLC	7.662	8.342	8.868	10.091
Duke Energy - IN	6.705	5.356	7.651	6.672
Duke Energy - OH/KY	14.849	19.336	16.854	31.048
Exelon West (ComEd)	70.144	79.134	79.619	69.802
FirstEnergy West (Legacy FE Companies)	44.537	14.761	5.726	16.023
Northern States Power Company - MN	30.931	34.091	36.407	40.431
Northern States Power Company - WI	16.086	18.113	20.159	21.132

Source: FERC Form 1 Reports for the years listed.

Dollars, in Thousands, per Transmission Line Mile



# 34.5kV Study Status



**Study Areas**  
Expected Study Completion  
Year Shown

# Capital Investments

## Update and Drivers: 34.5kV to 69kV Upgrades

### ■ Update

- Six stakeholder groups have been formed for planning purposes
- Have upgraded 112 miles of 34.5kV line to 69kV standards since transaction through end of 2011
- Expect to complete 70 additional miles of upgrades in 2012 (total of 182 miles since transaction)
- Expect to complete 568 miles of upgrades, 267 miles of retirements, and 549 miles (421 ITC, 128 CIPCO) of conversion by year-end 2016

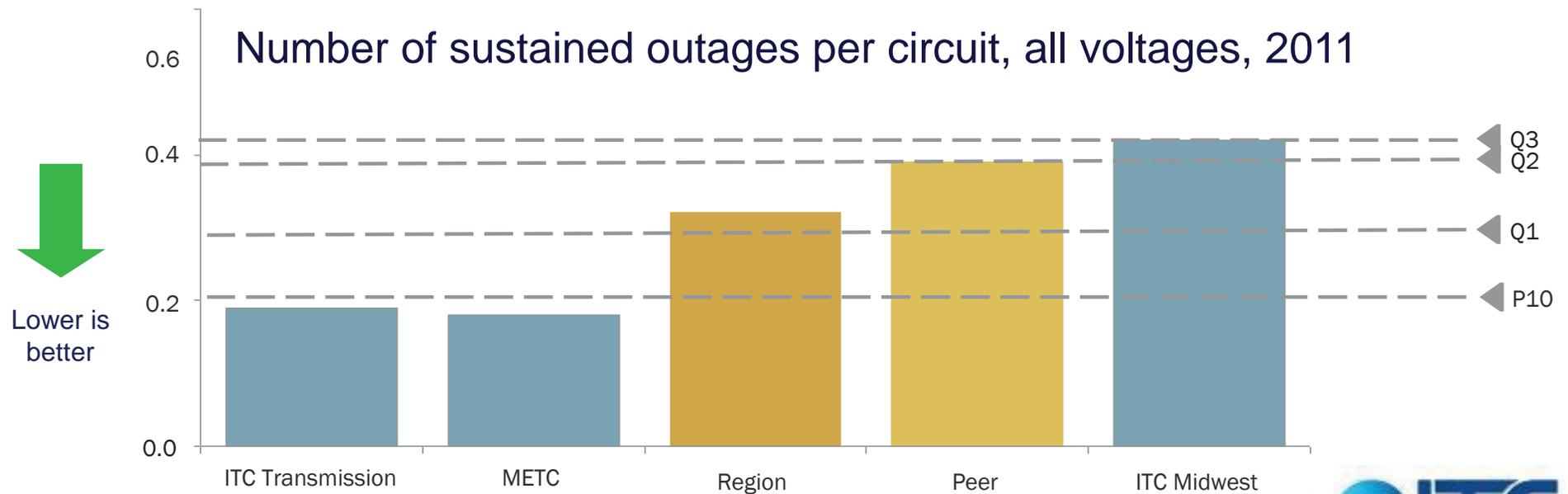
### ■ Investment Drivers

- Age and condition of the 34.5kV system in Iowa is poor
- 34.5kV system is susceptible to lightning-related outages due to lack of static wire
- Much of the 34.5kV system is radial in nature, thereby resulting in customer outages when line is down due to planned or unplanned outages
- Commitment made to the IUB during the Transaction Docket



# 2011 Sustained Outage Performance

- ITC *Transmission* and METC perform with the best 10% of companies for number of sustained outages per circuit.
- ITC Midwest has shown improvement in 2011, averaging .42 outages per circuit, down from .57 outages per circuit in 2010 (4<sup>th</sup> Quartile, Q4) 26% improvement



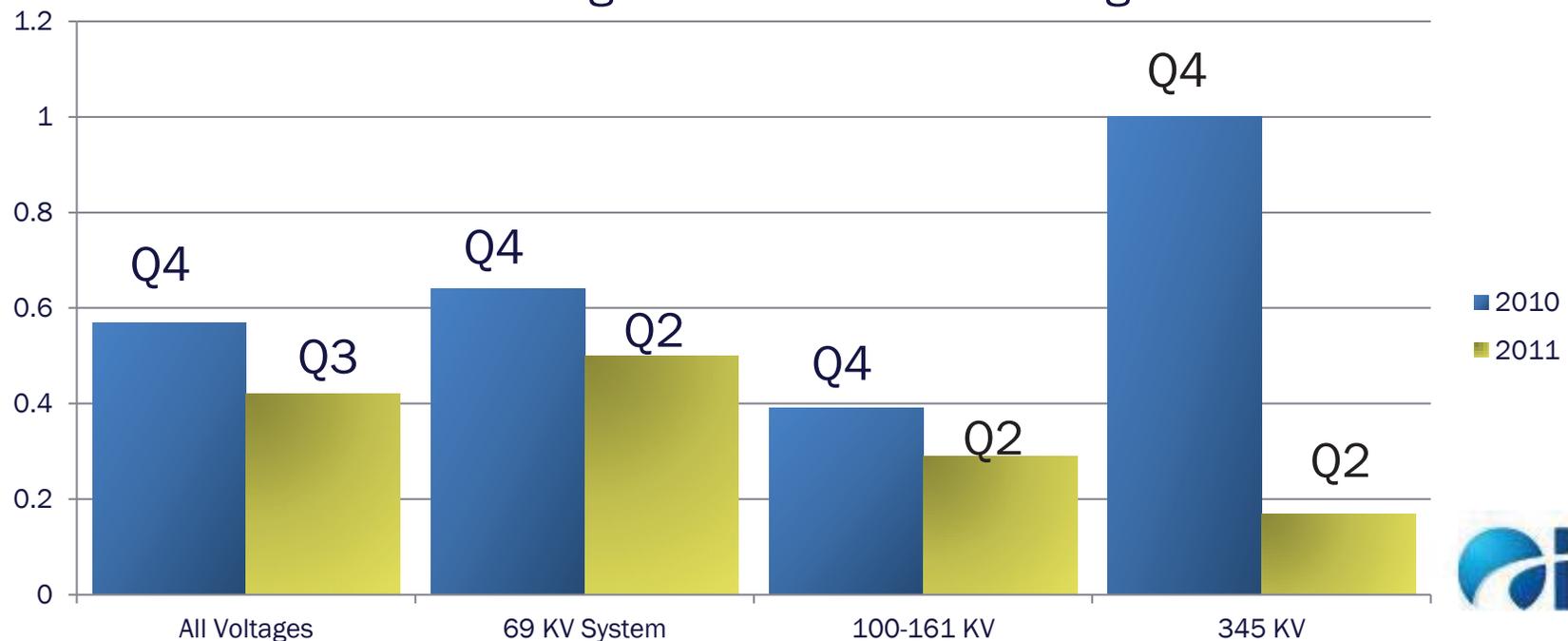
# Reliability

## 2011 Sustained Outage

Across all voltage levels ITCMW improved sustained outage performance

- The 69 KV system improved from 4<sup>th</sup> Quartile to 2<sup>nd</sup> Quartile
- The 100 – 161 KV system also moved from Q4 to Q2
- The 345 system ranked just outside of Q1 (.15), averaging .17 outages

Average circuit sustained outage

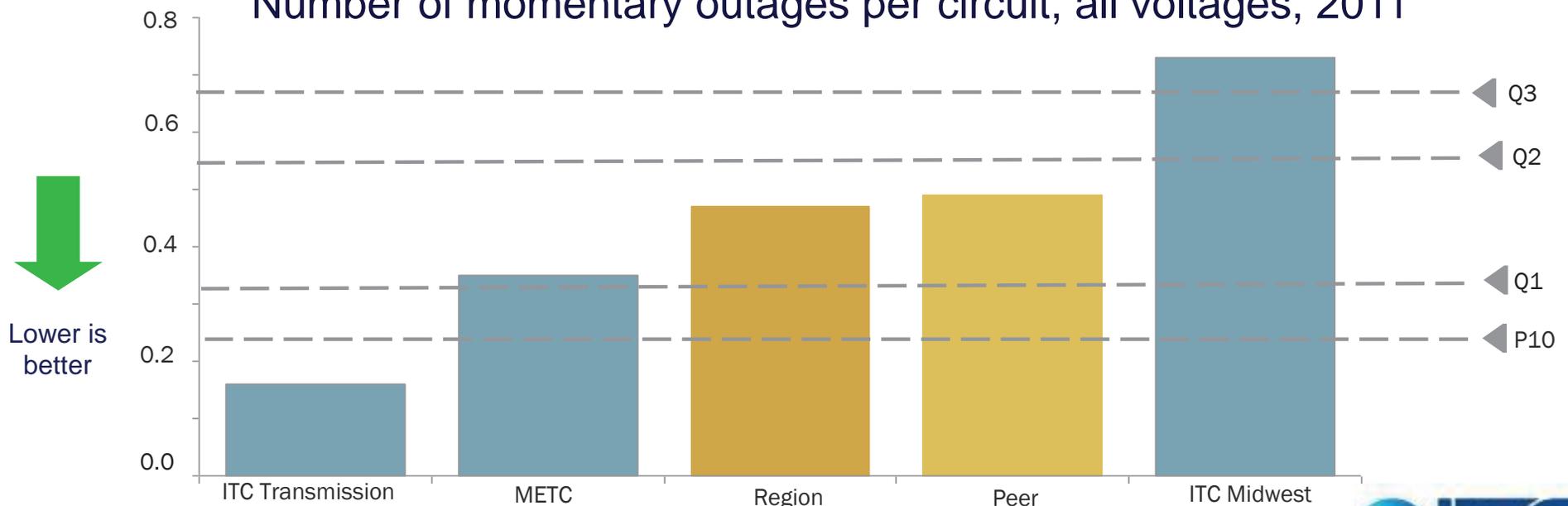


# 2011 Momentary Outage Performance

ITC Midwest is currently a Q4 performer as a system but has improved greatly from the SGS 2011 study

- 2010, averaged 1.02 momentary outages per circuit
- 2011, .73 momentary outages per circuit
- The cutoff for Q3 is .68

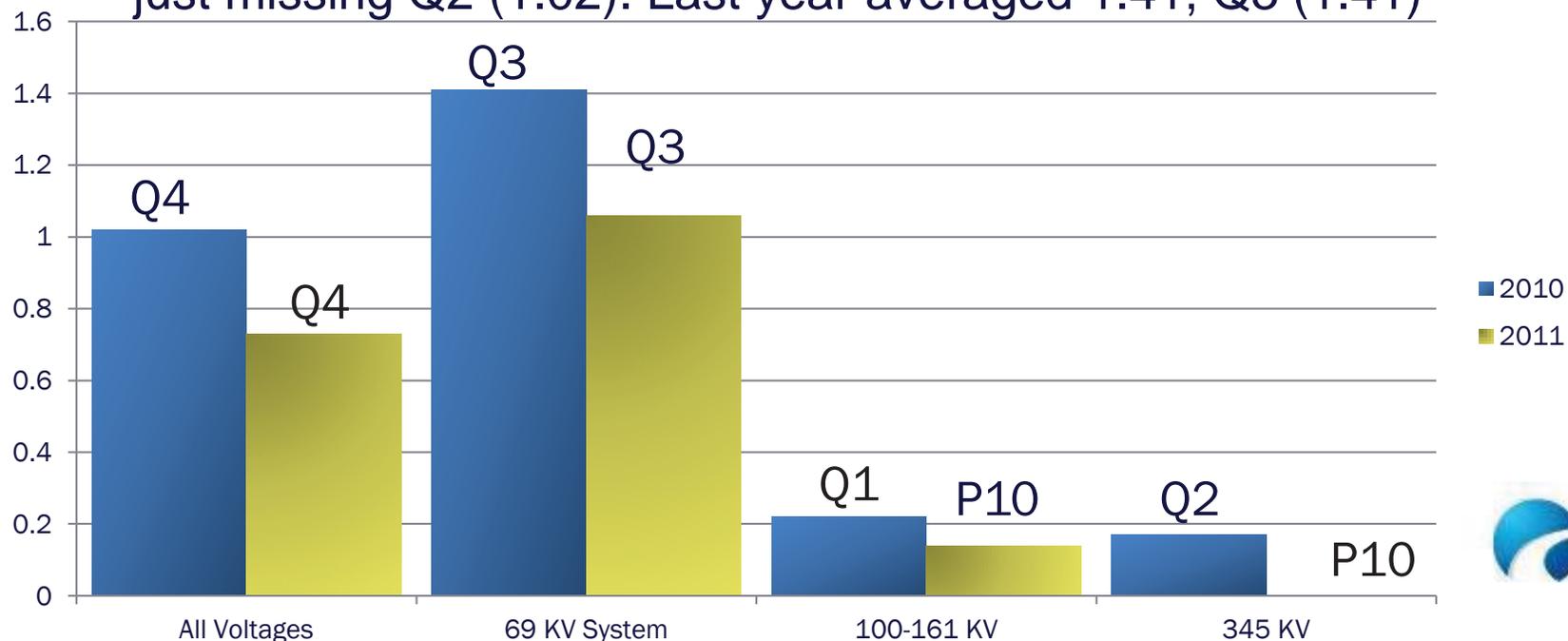
Number of momentary outages per circuit, all voltages, 2011



# Reliability – 2011 Momentary Outage

The MW system also improved at every voltage level for momentary outages

- The ITCMW owned 345 KV system is a **top decile** performer
- The 100 – 161 KV system moved from top quartile to **top 10%** performer
- The 69 KV system saw a **25% reduction** in average number of momentary events
- The 69 KV system averages 1.06 momentaries per circuit, Q3 performer, just missing Q2 (1.02). Last year averaged 1.41, Q3 (1.41)



# Customer Restoration Update

78% of outages impacting customers are restored at the point of interconnection within 90 minutes

Based on Alliant's customer data:

- The average outage duration experienced on the 34.5 KV system as of August, is 76.5 minutes.
- 73.5% of 34.5 KV outages are restored within 90 minutes
  - Improving every year since 2009



# Performance Summary

Performance has improved across the system

- The high voltage 100 – 345 KV systems are **top 10%** performers for momentary outages in their respective voltage classes
- Q2 performer for sustained outages

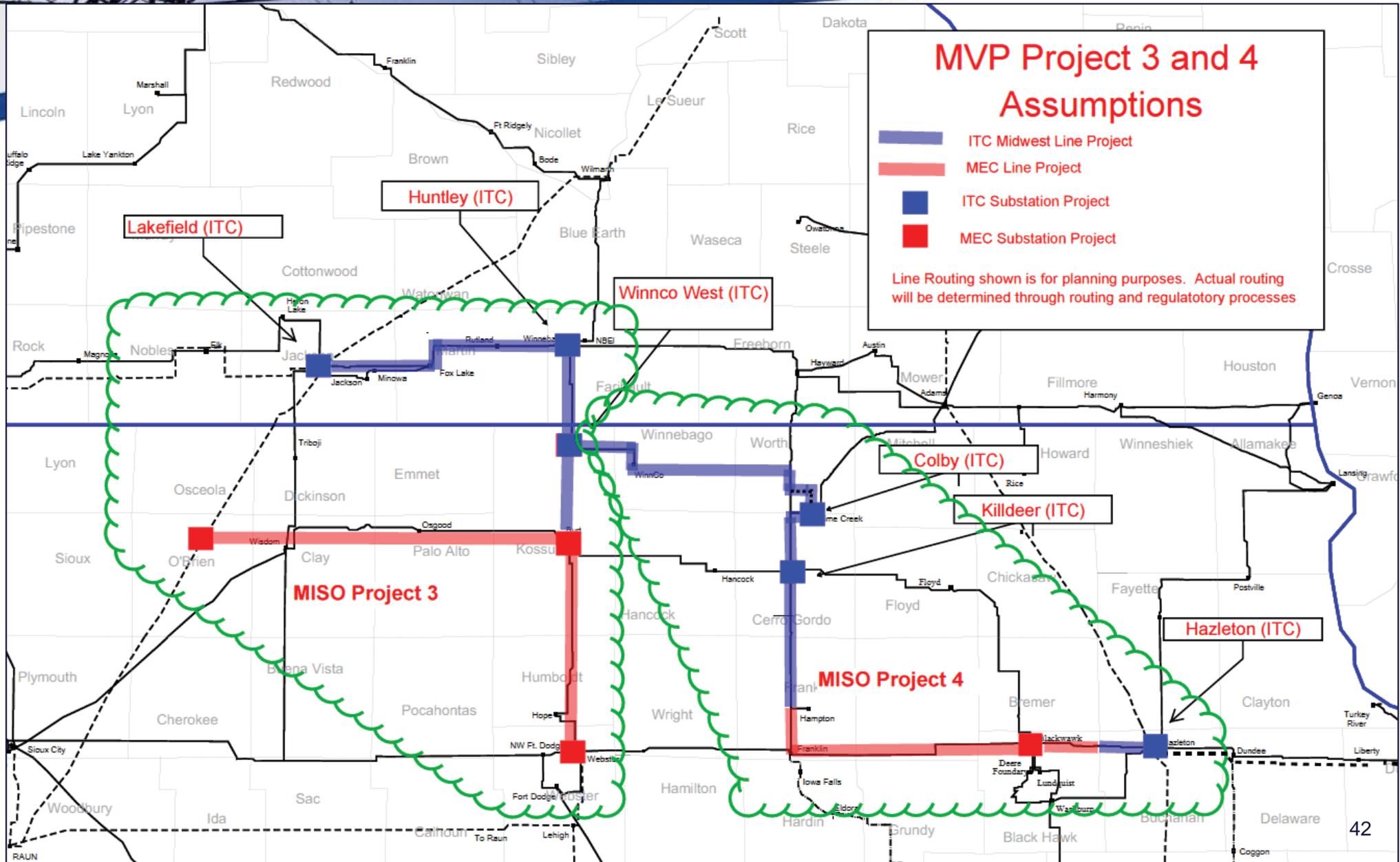
The majority of the ITCMW system is 69 kV and it has the greatest effect on overall system performance

- When comparing the 69 kV system with other utilities within the study, the results show that ITCM ranks:
  - Q1 for outage duration
  - Q2 for sustained
  - Q3 for momentaries

The impact of weather is significant for ITCMW so it will take time to show a continuous downward trend, however, the ratio of percentage of weather outages to percentage of storm events from year to year has declined each year since 2009



# MVP 3 and MVP 4



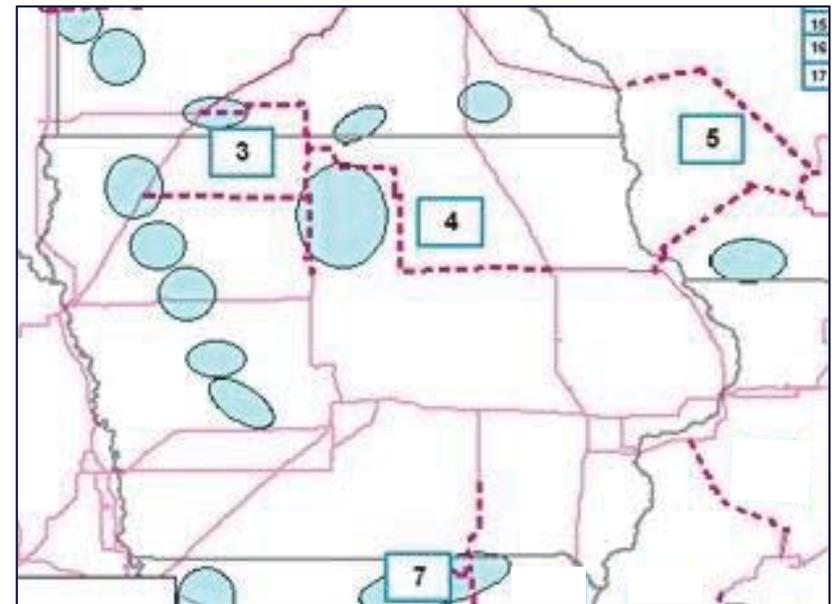
# Lakefield-Hazleton Projects

- ITC and MidAmerican Energy are kicking off efforts to build more than 400 miles of 345 kV lines in southwest Minnesota, northwest Iowa and north central Iowa
- Projects will serve as part of the high-voltage electric transmission backbone needed to address:
  - Continued demand for wind generator interconnections
  - Need for significant reliability improvement
  - Transmission capacity needs



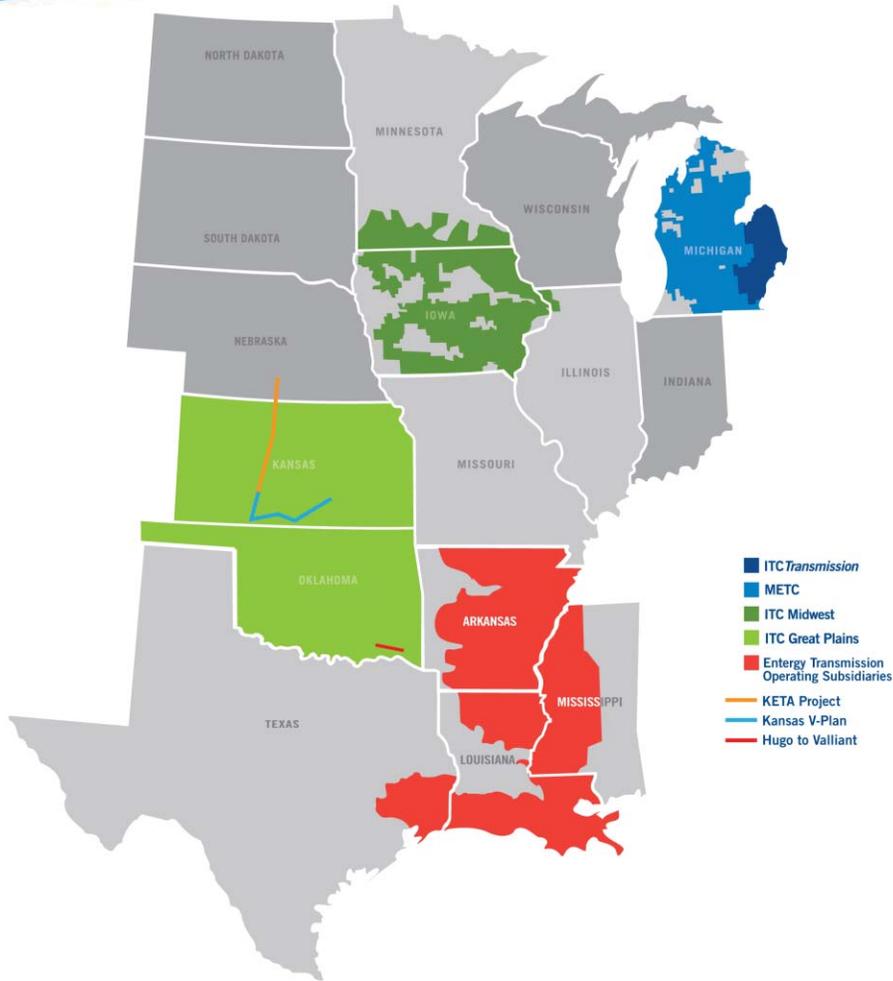
# Lakefield-Hazleton Projects

- Projects have been studied by MISO and designated “Multi-Value Projects” with costs shared across the MISO territory of 11 states.
- As proposed, lines will commence with Lakefield substation in southwest Minnesota and planned substation in O’Brien County, connect to planned substation in Kossuth County, before heading east to Mason City area and toward Independence
- ITC also discussing with ATC and MidAmerican projects 5 and 7



Note: Final line routes will be determined through routing studies and regulatory processes

# ITC and Entergy



## *Entergy Transmission Business*

<b>System Peak Load</b>	26,100 MW	28,000 MW
<b>Service Area</b>	Seven states	Four states*
<b>Total Transmission Miles</b>	15,000 miles	15,800 miles
<b>Service Area Square Miles</b>	89,850	114,669
<b>RTO Membership</b>	MISO/SPP	MISO market integration by 12/2013

\* Entergy also owns limited assets in Missouri.



*Thank you!*

**Questions?**



---

# SHORT BREAK

---

# Phone Presentation from FERC Commissioner John Norris

# FERC Commissioner John Norris

**John R. Norris** was nominated by President Barack Obama to the Federal Energy Regulatory Commission in 2010 and was reconfirmed by the U.S. Senate in 2012 for a full term expiring in June 2017. Commissioner Norris, a lawyer, has years of experience in energy policy and regulatory affairs. He most recently served as Chief of Staff to Secretary Tom Vilsack of the U.S. Department of Agriculture. Prior to joining the USDA, he served as Chairman of the Iowa Utilities Board (IUB) from 2005 to 2009. During his tenure as IUB Chairman, Commissioner Norris served on the National Association of Regulatory Utility Commissioners (NARUC) Electricity Committee and was Co-Chair of the 2009 National Electricity Delivery Forum.

During his IUB tenure, Commissioner Norris also served as a Board Member, Secretary and President of the Organization of Midwest Independent System Operator (MISO) States as well as Chairman of the MISO Demand Response Working Group. He also was a member of the FERC/NARUC Demand Response Collaborative.

Commissioner Norris graduated with distinction from the College of Law at the University of Iowa in 1995 and earned his undergraduate degree in 1981 from Simpson College in Indianola, Iowa.

Commissioner Norris, his wife, Jackie, and their three sons live in Washington, D.C.



---

# SHORT BREAK

---

# IPL & Stakeholder Discussion

**John Weyer**

Manager - Transmission Services

Alliant Energy – IPL

# Stakeholder Discussion Preface

---

- Recent strategy suggestions for IPL and IPL evaluation
- Rate challenge “moratorium”

# Strategy suggestions

---

1. IPL consider connecting to MidAmerican's (MEC) transmission system where possible in order to access MEC's lower transmission rates.
  - Evaluation: As load leaves ITC Midwest system, transmission rate goes up for load that remains, due to the mechanics of the formula rate. At current rates for ITC Midwest and MEC, our analysis indicates that 70% or more of IPL's load would need to be served by MEC in order to result in a transmission cost savings to IPL customers. Extensive new transmission interconnections would need to be built, at significant cost to MEC, and in turn, to IPL and its customers.

# Strategy suggestions

---

2. IPL file at FERC in opposition to the ITC-Entergy transaction on the basis that the proposed Return on Equity and capital structure results in unreasonable cost to customers.
  - Evaluation: IPL will not be directly subject to ITC Midsouth rates. IPL believes FERC would reject IPL's filing on the basis that IPL is not directly harmed by ITC Midsouth's proposed ROE and capital structure. IPL credibility for other potential filing actions in the future would be greatly diminished.

# Strategy suggestions

---

3. ITC Midwest rate increases are not apparent to the general public. IPL should publicly and widely share IPL's projections of ITC Midwest rates through public media, thus pressuring ITC Midwest to minimize rate increases.
  - Evaluation: IPL believes this approach would not ultimately serve the interests of IPL customers and IPL effectively. Rather, IPL believes a more effective approach is to actively engage with transmission policy and rate issues in the MISO , FERC, and IUB arenas.

# Strategy suggestions

---

4. It has been suggested that some stakeholders believe that there is not much differentiation between IPL and ITC Midwest, implying that IPL's efforts have not been sufficiently opposed to ITC Midwest's rate increases.
  - Evaluation: To the contrary, IPL believes our opposition to ITC Midwest rate increases has been substantial, evidenced by the substantial defense ITC Midwest has mounted against our regulatory actions. If we had quietly accepted ITC Midwest rate increases as has been implied, we believe that our influence on customer rate impact issues would be significantly *less* than it is. We believe our actions demonstrate opposition to the level and growth of ITC Midwest rates and those actions have been carefully selected to maximize results.

# Rate challenge “moratorium”

**From “ASSET SALE AGREEMENT by and between INTERSTATE POWER AND LIGHT COMPANY and ITC MIDWEST LLC”, executed December 20, 2007:**

7.16 Non-Opposition. After Buyer’s rates, rate construct, rate elements, terms and conditions of service are initially set in the FERC 205 Approval (“Buyer’s Initial Rates”), and for a period of seven (7) years after the Closing Date, Seller shall not (and shall cause its parent and any wholly owned Affiliates of its parent not to), oppose, contest, challenge or file any complaint before FERC regarding, or takes any position with any third Person adverse to, Buyer’s Initial Rates. This prohibition does not apply to the extent that Buyer seeks changes to the Buyer’s Initial Rates in a manner adverse to Seller. For a period of seven (7) years after the Closing Date, Seller also shall not (and shall cause its parent and any wholly owned Affiliates of its parent not to) publicly oppose, contest or challenge, with any third Person, the plan of the Buyer, set forth in the applications for the Buyer Required Regulatory Approvals made pursuant to Section 7.6(b), for anticipated capital expenditures, except that this prohibition does not apply to the extent that Buyer departs from such plan. Nothing in this Section 7.16 prohibits Seller from opposing, contesting, or challenging the withdrawal of the Purchased Assets from participation in MISO.

**Prohibition against challenge to ITC Midwest rates and rate construct ends December 20, 2014**

# Open discussion– additional suggestions, collaboration opportunities

---

# Next Steps

---

- Today's presentation to be sent to attendees, along with survey link following the meeting
- File semi-annual report to IUB by December 31
- Review today's stakeholder discussion, evaluate potential next steps
- Next Transmission Stakeholder meeting in June 2013

# *Thank you!*

---

- “One Call Does All” – IPL continues to be the main point of contact for our customers for all issues, including transmission service. Please contact your IPL Account Manager directly for any questions you may have.
- Presentation and survey link will be sent to attendees.
- Thank you and please travel safely!

**Appendix 9 – ICC Letter Filed with IUB**



SUTHERLAND ASBILL & BRENNAN LLP  
1275 Pennsylvania Ave., NW  
Washington, DC 20004-2415  
202.383.0100 Fax 202.637.3593  
www.sutherland.com

**DANIEL E. FRANK**  
DIRECT LINE: 202.383.0838  
E-mail: daniel.frank@sutherland.com

November 5, 2012

**RPU-2010-0001**  
**FILED WITH**  
**Executive Secretary**  
**November 05, 2012**  
**IOWA UTILITIES BOARD**

**VIA ELECTRONIC FILING**

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

Re: *Interstate Power and Light Company*  
Docket No. RPU-2010-0001

Dear Ms. Conrad:

Enclosed for filing are the Comments of the Iowa Consumers Coalition regarding the June 29, 2012 semi-annual Transmission Report filed by Interstate Power & Light Company in the above-referenced proceeding.

Sincerely,

/s/ Daniel E. Frank

*Attorney for*  
*The Iowa Consumers Coalition*

Enclosures

**STATE OF IOWA  
DEPARTMENT OF COMMERCE  
BEFORE THE UTILITIES BOARD**

---

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

---

**COMMENTS OF THE  
IOWA CONSUMERS COALITION ON  
SEMI-ANNUAL TRANSMISSION REPORT**

The Iowa Consumers Coalition (“ICC”), which has previously intervened and participated in the above-captioned proceeding, hereby submits brief comments on the June 29, 2012 semi-annual transmission report filed by Interstate Power and Light Company (“IPL”) pursuant to the Board’s January 10, 2011 Final Decision and Order in this proceeding (“Transmission Report”). The ICC is an *ad hoc* group of large consumers of electricity that regularly participates in IPL rate cases and other proceedings before the Board, and in this proceeding includes Archer Daniels Midland Company, Cargill, Incorporated, Equistar Chemicals, L.P., and United States Gypsum Company. Because there is not currently a procedural schedule for this proceeding specifically providing for comments on IPL’s Transmission Report, ICC respectfully requests, to the extent necessary, that the Board accept these comments.<sup>1</sup>

---

<sup>1</sup> These comments principally address IPL’s Transmission Report and related stakeholder proceedings. ICC reserves the right to submit comments at the appropriate time regarding (i) whether IPL’s transmission rider, pursuant to which transmission costs are passed through to IPL retail ratepayers, should be continued after the initial three-year period for the transmission rider, and (ii) IPL’s overall performance as an electric utility.

## Comments

ICC has been an active participant in the IPL stakeholder proceedings addressing transmission-related matters over the last two years. ICC's representatives have participated in-person in the three semi-annual stakeholder meetings sponsored by IPL to date, have met informally with IPL on other occasions between those meetings, and intend to continue such participation. ICC has raised issues of concern to IPL, requested information and analyses from IPL, and provided feedback to IPL concerning transmission matters, some of which is described in the Transmission Report.

ICC believes that, to date, IPL has proven itself to be responsive to concerns raised by ICC and other stakeholders. For example, in 2011, ICC raised concerns about the coordination of transmission maintenance outages with customer facility outages; in response, IPL undertook to work with affected members of ICC, and since then has been proactive in coordinating with customers and seeking feedback on its performance. Additionally, in response to requests by ICC and others, IPL is now including in its Transmission Report and stakeholder meeting presentations its forecasts of ITC Midwest, LLC ("ITCM") rates, the key assumptions underlying those rate forecasts, and additional information about ITCM projected capital expenditures. As a result, ICC believes that the stakeholder process is working as intended, and recommends that it be continued.

ICC also commends IPL's actions to date related to transmission rates, coordination and other issues, and in its collaborative efforts with ICC and other stakeholders on managing relations with ITCM, as outlined in the June 29, 2012 Transmission Report. In particular, ICC supports IPL's efforts to vet ITCM projects and costs. Ongoing vigilance is necessary given the increasing transmission costs and rates that continue to be projected for ITCM and that

ultimately will be paid by ICC members and other retail customers of IPL. For example, the Transmission Report describes how ITCM's costs – and the rates paid by IPL and its customers for such costs – will *triple* over the period 2008 through 2016.<sup>2</sup> These rising costs demand continued vigilance, and ICC supports IPL's efforts in taking the lead on behalf of its retail customers.

Because of these increasing costs, more remains to be done. For example, it would be beneficial for ITCM to provide a detailed explanation of the basis for its projects and project costs, so that customers could understand – and challenge, if necessary – the continued capital expenditures by ITCM that underlie the increasing transmission costs. ITCM has been asked for such explanations, but none has been provided (other than very high-level estimates of the gross levels of capital expenditures). Instead, we have learned that, when IPL has successfully influenced ITCM costs (for example, by convincing ITCM to use an alternative approach that would result in lower capital expenditures on a project), ITCM simply shifts the “savings” to other projects such that ITCM continues to spend to its capital budget. ICC has also asked for, and IPL is beginning to provide, additional reliability metrics to ensure that higher costs are commensurate with necessary and appropriate reliability benefits. ICC believes that IPL shares ICC's frustration with the continued escalation of ITCM costs and rates and the lack of useful, detailed information from ITCM. ICC will continue to work with IPL in the stakeholder proceedings to ensure that the costs and rates that retail customers must pay will be managed effectively, will be kept to reasonable levels, and will be justified by appropriate enhancements to reliability.

---

<sup>2</sup> See Transmission Report at 11-13.

Finally, ICC commends IPL's proactive efforts to attempt to rein in the ITCM costs that IPL and its retail customers must pay. Specifically, as the Board knows, IPL recently filed a complaint with the Federal Energy Regulatory Commission ("FERC") challenging the Midwest Independent Transmission System Operator, Inc. ("MISO") tariff provisions that allow generators interconnecting with ITCM to recover up to 100% of the costs of network upgrades paid for by the generators. The ITCM approach of 100% reimbursement of these costs (funded ultimately by retail consumers, principally IPL's customers) contrasts sharply with the bulk of the rest of MISO which is required to pay for the reimbursement of only 10% of such network upgrade costs. ICC has intervened in the FERC complaint proceeding, and filed comments in support of IPL's complaint. ICC supports IPL's efforts to proactively seek to contain costs that it must pay, including at the FERC level.<sup>3</sup>

---

<sup>3</sup> ICC also commends IPL's efforts in FERC Docket No. PA10-13-000 challenging ITCM's recovery of the tax effects of amortized goodwill in connection with ITCM's acquisition of IPL's transmission system.

### Conclusion

**Wherefore**, ICC respectfully requests that the Board accept these comments, and consider them and take such action as may be consistent therewith.

Respectfully submitted,

/s/ Daniel E. Frank

---

Daniel E. Frank  
Sutherland Asbill & Brennan LLP  
1275 Pennsylvania Ave., N.W.  
Washington, DC 20004-2415  
(202) 383-0100  
(202) 637-3593 (facsimile)

*Attorneys for  
The Iowa Consumers Coalition*

November 5, 2012