

## Appendix 2

Docket No. EL12-35-000

June 28, 2013

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## IOWA UTILITIES BOARD

burden of proof as to whether a utility's costs are excessive rests with the party making the allegations.<sup>161</sup>

100. IMEA states that the MISO formula rate protocols "should be designed to ensure that, if errors are made, as for example to entries to FERC Form No. 1, the corrections and revisions to the rates will be assessed back to the date the error was made."<sup>162</sup>

101. Some parties, in contrast, suggest that the MISO formula rate protocols establish sufficient challenge procedures.<sup>163</sup> As an initial matter, MISO notes that the Tariff was not designed to offer a procedural alternative to a formal complaint proceeding in order to resolve disputes. Thus, MISO points out that the addition of detailed challenge procedures could create a substantial new burden on all transmission owners, including small municipals and cooperatives. Moreover, MISO notes that such an imposition may be unnecessary because many transmission owners already work closely with state utility commissions.<sup>164</sup> ITC Companies argue that the MISO formula rate protocols need not be revised because interested parties may already utilize the procedures set forth in Attachment HH of the Tariff and file a complaint pursuant to section 206 of the FPA.<sup>165</sup> MISO and MISO TOs each point out that the Attachment HH dispute resolution procedures can be used to address any interested party's challenge to a transmission owner's annual update.<sup>166</sup> Furthermore, some argue that the existing protocols allow

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<sup>161</sup> *Id.* (citing *Indiana and Michigan Mun. Distribs. v. Indiana Michigan Power Co.*, 62 FERC ¶ 61,189, at 62,239 (1993)).

<sup>162</sup> IMEA Initial Brief at 10. IMEA also argues that requiring transmission owners to revise their formula rate protocols would not be unduly burdensome because detailed protocols that exist in other regions. Further, IMEA claims that revision will benefit both transmission owners and customers by establishing a better means to identify errors that may otherwise go uncorrected. *Id.* at 12.

<sup>163</sup> See MISO TOs Initial Brief at 21-23; MISO Initial Brief at 15-16; ATC Initial Brief at 8-9; ITC Companies Initial Brief at 19-20.

<sup>164</sup> MISO Initial Brief at 15-16.

<sup>165</sup> ITC Companies Initial Brief at 19. ITC Companies additionally argues that the possibility that a customer could resort to filing a complaint pursuant to section 206 of the FPA provides transmission owners with an important incentive to address and resolve any concerns. *Id.*

<sup>166</sup> MISO TOs Initial Brief at 21, 23; MISO Initial Brief at 15.

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interested parties ample time to review data, ask questions, receive answers, and resolve whatever disputes may arise.<sup>167</sup> MISO TOs further assert that interested parties are free to contact either MISO or the relevant transmission owner informally to discuss questions and address possible concerns regarding a transmission owner's implementation of its formula rate.<sup>168</sup> MISO TOs additionally note that customers and other entities can either contact the Commission's hotline or utilize the Commission's alternative dispute resolution services.<sup>169</sup> Finally, MISO TOs posit that the fact that no customer has filed a complaint despite the Commission's express invitation to do so belies any concerns regarding the implementation of the historic formula rate template in Attachment O of the Tariff.<sup>170</sup>

102. ATC argues that its formula rate protocols provide adequate challenge procedures. In support of this position, ATC states that it entertains numerous questions regarding the development of its revenue requirement and provides additional information to interested parties. Additionally, ATC states that it provides a forecast of its revenue requirement for a five-year period "in a comparative manner" that allow interested parties to determine the changes from year to year over a significant period of time. ATC argues further that it has addressed all questions raised by any stakeholder. ATC contends that the fact that no disputes of any kind have arisen relating to its protocols in the time since they were approved by the Commission demonstrates that the lack of specific dispute resolution provisions does not render its rates unjust and unreasonable.

103. Finally, ITC Companies warn against adding unnecessary layers of process and formality to the existing annual update procedures.<sup>171</sup> ITC Companies explain that the existing protocols are governed by a timeline that allows load-serving entities to incorporate the projected rate into their retail rate, budgeting processes, and financial planning. ITC Companies add that significant revision to the challenge procedures in the MISO formula rate protocols could disrupt the temporal alignment of these respective wholesale and retail rate processes.

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<sup>167</sup> See MISO TOs Initial Brief at 22; ITC Companies Initial Brief at 19.

<sup>168</sup> MISO TOs Initial Brief at 21, 23.

<sup>169</sup> *Id.* at 21.

<sup>170</sup> *Id.* at 21-22 (citing *Midwest Indep. Transmission Sys. Operator, Inc.*, 138 FERC ¶ 61,147, at P 34 (2012), *Otter Tail Power Co.*, 137 FERC ¶ 61,255, at P 23 (2011); *MidAmerican Energy Co.*, 137 FERC ¶ 61,250, at P 71 (2011)).

<sup>171</sup> ITC Companies Initial Brief at 20.

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**b. Reply Briefs**

104. MISO TOs argue that the Commission should reject the requests of OMS and others to require a company-specific process for interested parties to challenge input data and prudence because such a proposal is inconsistent with the Commission's policy on prudence reviews and there is a process already provided for such challenges under MISO's protocols.<sup>172</sup> According to MISO TOs and ITC Companies, the Commission's long-standing policy governing prudence review requires the costs incurred by a utility to be presumed prudent unless a party raises a reasonable doubt about those costs.<sup>173</sup> MISO TOs contend that interested parties that are unable to resolve disputes with the transmission owners informally must bring a complaint pursuant to section 206 of the FPA to challenge the prudence of formula rate inputs formally.<sup>174</sup> ITC Companies conclude, therefore, that adoption of the formal challenge procedures requested by parties in this proceeding would shift these traditional burdens.

105. MISO TOs refute the allegation that the formula rate protocols lack challenge procedures. MISO TOs state that the existing protocols provide several avenues for interested parties to challenge a transmission owner's implementation of the formula rate, including informal discussions with the transmission owner or MISO, Attachment HH dispute resolution procedures, the Commission's Enforcement Hotline and Alternative Dispute Resolution Service, and section 206 complaint proceedings. Finally, MISO TOs point out that IMEA's repeated reference to transmission owners changing the formula rates are incorrect because annual changes to rate inputs do not constitute changes to the rate, which is comprised of the formula.<sup>175</sup>

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<sup>172</sup> MISO TOs Reply Brief at 15-19. MISO TOs state that their existing protocols and MISO's current practices for both the historical and forward-looking formula rates permit interested parties to obtain the information necessary to evaluate whether to make a formal prudence challenge under section 206 of the FPA. *Id.* at 17 (citing MISO TOs Initial Brief at 17). MISO TOs also argue generally that the Commission bears the burden of proof to demonstrate that the MISO formula rate protocols are unjust and unreasonable. *Id.* at 14-15.

<sup>173</sup> *Id.* at 16 (citing *RITELine Illinois, LLC*, 137 FERC ¶ 61,039, at P 127 (2011); *Pub. Serv. Co. of Colorado*, 90 FERC ¶ 61,285, at 61,960 (2000)); ITC Companies Reply Brief at 10-11.

<sup>174</sup> *Id.* at 16-17. MISO TOs add that the existing protocols give interested parties both formal and informal options for resolving their concerns.

<sup>175</sup> MISO TOs Reply Brief at 24.

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106. MISO argues that the experience detailed by SWEC supports a finding that MISO's existing process actually worked. MISO states that SWEC's ability to raise issues under the existing process supports a finding that the existing Attachment O process satisfies the Commission's concerns.<sup>176</sup> According to MISO, SWEC successfully utilized MISO's process to obtain information and to institute dispute resolution procedures. In the course of those dispute resolution procedures, it was determined that the transmission owner had not adhered to the Uniform System of Accounts when recording its transactions in the general ledger. Though SWEC did not pursue its issue further, SWEC's experience supports a finding that MISO's current Attachment O process contains adequate standards for participation, transparency, and an adequate challenge procedure, according to MISO. Consequently, MISO maintains that its current practices are just and reasonable. Further, MISO adds that if the Commission finds that the formula rate protocols require modification, such revisions should be made consistent with the MISO Transmission Owners Agreement and the MISO Tariff.<sup>177</sup> In particular, MISO highlights provisions of the Tariff and the MISO Transmission Owners Agreement that require MISO not give preferential access to transmission information to any third party.<sup>178</sup>

107. Jo-Carroll disputes ITC Companies' argument that more formal discovery procedures would force transmission owners to assume a permanent litigation posture with its customers. Jo-Carroll argues that if ITC Companies in fact answer all stakeholders' questions completely and in a timely fashion, then revised protocols would pose no threat to ITC Companies because ITC Companies' customers would only resort to the formal protocol procedures if their concerns were not alleviated voluntarily.<sup>179</sup>

108. ITC Companies contend that the Commission should not adopt "formal challenge" procedures. First, ITC Companies assert that it is not clear that formal challenge procedures would give customers rights that they do not already have, unless such a proposal is intended to modify the Commission's well-established precedent regarding burdens of proof. According to ITC Companies, while the Commission has occasionally required a transmission owner to maintain the burden of proof in the course of a

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<sup>176</sup> MISO Reply Brief at 7-9.

<sup>177</sup> *Id.* at 4-5.

<sup>178</sup> *Id.* at 5-7.

<sup>179</sup> Jo-Carroll Reply Brief at 3.

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challenge to its implementation of the formula rate,<sup>180</sup> the Commission and courts have long recognized that a complainant must do more than make unsubstantiated allegations.<sup>181</sup> Further, ITC Companies maintain that complainants must provide an adequate proffer of evidence that a hearing is warranted, regardless of which party bears the burden at the hearing.<sup>182</sup> ITC Companies also contend that it is unnecessary to provide for the appointment of a Commission administrative law judge as a “discovery master” because customers may already resort to the Commission’s Alternative Dispute Resolution service.<sup>183</sup>

109. Several parties, in contrast, reject the notion that the challenge procedures under Attachment HH of the Tariff are sufficient. For example, OMS contends that the mediation and arbitration proceedings under the Tariff are entirely voluntary, and therefore, do not allow for effective and efficient resolution of disputes.<sup>184</sup> IMEA also takes issue with the procedures under Attachment HH because those procedures are administered by MISO, which is the same entity responsible for reviewing the changes at issue.<sup>185</sup> Hoosier Energy argues that MISO’s generic dispute resolution procedures are likely to produce inconsistent decisions and deprive owners and customers of certainty.<sup>186</sup> Industrial Consumers assert that there is no evidence suggesting that requiring revision of the MISO formula rate protocols would impose a substantial or unwarranted burden.<sup>187</sup>

110. IMEA states that the argument that customers can ultimately resort to a complaint pursuant to section 206 is “totally inappropriate” because customers should not be

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<sup>180</sup> ITC Companies Reply Brief at 10 (citing *Am. Elec. Power Serv. Corp.*, 124 FERC ¶ 61,306, at P 36 (2008); *Va. Elec. & Power Co.*, 123 FERC ¶ 61,098 (2008)).

<sup>181</sup> *Id.* (quoting *Interstate Power & Light Co. v. ITC Midwest, LLC*, 135 FERC ¶ 61,162 (2011)).

<sup>182</sup> *Id.* (citing *Interstate Power & Light Co. v. ITC Midwest, LLC*, 135 FERC ¶ 61,162 (2011)).

<sup>183</sup> *Id.* at 9.

<sup>184</sup> OMS Reply Brief at 9-10.

<sup>185</sup> IMEA Reply Brief at 7-8.

<sup>186</sup> Hoosier Energy Reply Brief at 4-5.

<sup>187</sup> Industrial Consumers Reply Brief at 4-5.

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required to file a complaint to challenge rate updates.<sup>188</sup> Arkansas Electric also states that arguments claiming that customers may resort to section 206 demonstrate a fundamental misunderstanding of the role of section 206 in the context of formula rates. Specifically, Arkansas Electric states that section 206 only allows customers and the Commission to challenge the rate itself, which precedent dictates is the formula. Arkansas Electric thus argues that section 206 is not an appropriate mechanism for challenging annual updates and true-ups. Arkansas Electric further states that the Commission has repeatedly opined that the burden remains on the seller public utility to demonstrate that charges resulting from the application of the formula are just and reasonable.<sup>189</sup> Arkansas Electric and IMEA each contend that customers and the Commission should not be required to resort to complaints pursuant to section 206 in order to ensure that transmission owners adhere to their filed rates.<sup>190</sup>

111. IMEA also asserts that reliance on the Commission's Enforcement Hotline and alternative dispute resolution procedures is inadequate because they are "gauged to informal dispute resolution."<sup>191</sup> IMEA adds that while rate cases are frequently settled through such means, such procedures are typically back-stopped by an ongoing or the threat of a formal Commission proceeding in which the utility would bear the burden of proof.

112. Finally, Industrial Consumers dispute the assertion by MISO that there is no need to modify the challenge provisions provided in the MISO formula rate protocols because transmission owners are subject to state regulation.<sup>192</sup> According to Industrial Consumers, it is well known that state commissions have no jurisdiction over unbundled transmission rates in interstate commerce. To the extent that MISO suggests that state commissions should leverage authority over retail rates to address the implementation of FERC jurisdictional rates, Industrial Consumers argue that such an assertion itself illustrates that "there is something seriously wrong with the current process." Industrial

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<sup>188</sup> IMEA Reply Brief at 8. IMEA adds that the Commission has recognized that rate changes are to be reviewed under section 205. *Id.*

<sup>189</sup> Arkansas Electric Reply Brief at 7 (citing *Va. Elec. & Power Co.*, 123 FERC ¶ 61,098, at P 47 (2008); *Am. Elec. Power Co., Inc.*, 124 FERC ¶ 61,306, at P 36 (2008)).

<sup>190</sup> *Id.*; Hoosier Energy Reply Brief at 5 (citing *Va. Elec. & Power Co.*, 123 FERC ¶ 61,098, at P 47 (2008)).

<sup>191</sup> IMEA Reply Brief at 8.

<sup>192</sup> Industrial Consumers Reply Brief at 5.

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Consumers add that even if state commissions could utilize such leverage, transmission customers lack any such leverage.

**c. Commission Determination**

113. Having reviewed and considered the various arguments raised in the briefs filed, we find that the challenge procedures set forth in MISO formula rate protocols are insufficient to ensure that transmission customers pay just and reasonable rates.

114. In failing to set forth specific challenge procedures, the MISO formula rate protocols effectively require interested parties to traverse an ad hoc system of procedures to raise issues with transmission owners' annual updates. MISO and MISO TOs reference a number of procedures through which interested parties may challenge a transmission owner's annual update. Specifically, in addition to section 206 of the FPA and the procedures under Attachment HH, MISO and MISO TOs explain that interested parties may submit questions to MISO or to the pertinent transmission owner, or utilize the Commission's Enforcement Hotline and Alternative Dispute Resolution Service. Such arguments, however, neglect to take account of the fact that none of those procedures are referenced in Attachment O of the MISO Tariff. Given the absence of any specific procedures in Attachment O, the MISO formula rate protocols are incapable of satisfying the FPA's just and reasonable requirements. The deficiency of the MISO formula rate protocols, however, is not limited to their failure to reference any of the aforementioned procedures.

115. Even assuming that Attachment O explicitly referenced the procedures cited by MISO and MISO TOs, those procedures alone are inadequate in this context. For instance, any entity that files a complaint pursuant to section 206 of the FPA is required to demonstrate that the current rate, charge or practice in question is not just and reasonable. As several parties point out, this framework imposes significant informational and financial obstacles that interested parties must overcome in order to raise issues with a transmission owner's implementation of its formula rate.<sup>193</sup> Such a burden could be particularly onerous for smaller entities. Further, such impediments could discourage interested parties from raising issues of less financial significance, even when their concerns are valid.

116. Moreover, we agree with the various parties that suggest that the generic procedures provided in Attachment HH appear ill-suited to resolve disputes regarding

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<sup>193</sup> See, e.g., OMS Initial Brief at 15; Indiana Commission Initial Brief at 14; Interstate Power Initial Brief at 13.

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transmission owners' annual formula rate updates.<sup>194</sup> OMS aptly explains that the Attachment HH procedures seem to be designed to resolve unusual events. Attachment HH requires parties to engage in two separate rounds of negotiation as well as mediation, unless the Alternative Dispute Resolution Committee determines that mediation would be unproductive. Should those efforts fail, parties may choose to enter arbitration or proceed to file the appropriate pleading with a court or with the Commission. In this respect, Attachment HH embodies a considerable degree of flexibility, which facilitates its application to a broad spectrum of disputes. Such flexibility, however, is inappropriate given the every-year nature of the annual update and true-up process. Rather, given the regular and repeated nature of this process and the corresponding potential for conflict, a straightforward and established process that is specifically tailored to transmission owners' annual formula rate updates is necessary. Given the common interests of numerous interested parties and frequency with which the formula rate updates and true-ups are performed, such specific procedures would ensure that the issues raised by interested parties will be resolved efficiently and effectively.

117. While parties such as ATC contend that they answer numerous questions regarding the development of their revenue requirements and provide additional information to interested parties, neither ATC's company-specific protocols, nor the rest of the MISO formula rate protocols expressly empower interested parties to submit inquiries. Conversely, nothing in the MISO formula rate protocols expressly requires transmission owners to respond to such inquiries. The fact that some transmission owners voluntarily submit additional information upon request, therefore, does not support the conclusion that the MISO formula rate protocols currently ensure just and reasonable rates.<sup>195</sup>

118. We consequently find that the absence of structured informal and formal challenge procedures in the MISO formula rate protocols renders the protocols unjust and unreasonable. In order to ensure that transmission owners implement their annual updates in accordance with their Commission-approved formula rates, interested parties

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<sup>194</sup> See, e.g., Interstate Power Initial Brief at 13-14; Indiana Commission Initial Brief at 13-14; OMS Initial Brief at 16-17.

<sup>195</sup> We do not find the fact that apparently no party has complained about ATC's protocols to be persuasive under the circumstances. ATC's protocols suffer from the same deficiencies as the rest of the MISO formula rate protocols in this respect—namely, the absence of any challenge procedures, formal or informal.

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must be afforded the ability to challenge a transmission owner's annual update and resolve related disputes through straightforward and defined procedures.<sup>196</sup>

119. In particular, the MISO formula rate protocols must set out a procedure through which interested parties can informally challenge transmission owners' proposed inputs. A well-defined informal challenge process would enable interested parties to raise challenges while avoiding the financial and informational burden associated with filing a formal challenge, as discussed below, or with filing a complaint with the Commission pursuant to section 206 of the FPA. Such procedures must, at a minimum, permit interested parties to raise informal challenges for a reasonable period of time after transmission owners initially propose their annual updates. In response to such a challenge, such procedures must require transmission owners and MISO, where applicable, to appoint a senior representative to work with the interested party (or its representatives) toward a resolution of the dispute.<sup>197</sup>

120. If, after a reasonable period of time, the parties are unable to resolve their dispute informally, interested parties must be permitted to raise a formal challenge with the Commission, in which the transmission owner—as the utility proposing to charge the updated or true-up rate—would bear the burden of demonstrating the correctness of its update or true-up. Although Commission precedent has explained that the formula is itself the jurisdictional rate that a transmission owner must initially demonstrate is just and reasonable,<sup>198</sup> the transmission owner “continues to bear the burden of demonstrating the justness and reasonableness of the rate resulting from its application of the formula,”<sup>199</sup> consistent with the filed formula rate. That is, the transmission owner will

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<sup>196</sup> See *Am. Elec. Power Serv. Corp.*, 124 FERC ¶ 61,306, at PP 22, 34 (2008) (conditioning acceptance on revising proposed protocols to remove the restriction on rights to challenge the underlying inputs to the formula rates).

<sup>197</sup> These procedures, however, need not conflict with the confidentiality requirements set forth in the MISO Transmission Owners Agreement and the Tariff.

<sup>198</sup> See, e.g., *Va. Elec. & Power Co.*, 123 FERC ¶ 61,098 at P 31 (“[w]hen the Commission approves a company's request for a formula rate, it approves the formula itself, which becomes the filed rate.”).

<sup>199</sup> *Id.* P 47; accord 16 U.S.C. § 824d (2006) (“All rates and charges made, demanded, or received by any public utility for or in connection with the transmission or sale of electric energy subject to the jurisdiction of the Commission . . . shall be just and reasonable, and any such rate or charge that is not just and reasonable is hereby declared to be unlawful. . . .”); *PJM Interconnection, L.L.C.*, 110 FERC ¶ 61,053 at P 120 & n.105.

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bear the burden of demonstrating the justness and reasonableness of the implementation of its formula rate in the context of a formal challenge.<sup>200</sup> Additionally, as some intervenors have pointed out, transmission owners frequently possess the information necessary for an interested party to succeed in a complaint before the Commission, but retain discretion in providing that information. Such formal challenge procedures will ensure that a transmission owner's possession of this information does not become, in practice, a means of including inappropriate costs in its annual update and collecting unjustified charges.

121. We will, however, continue to apply our well-established precedent with respect to challenges to the prudence of costs incurred by a transmission owner. The Commission has historically recognized that "managers of a utility have broad discretion in conducting their business affairs and in incurring costs necessary to provide services to their customers."<sup>201</sup> Consequently, parties seeking to challenge the prudence of a transmission owner's expenditures must first create a serious doubt as to the prudence of those expenditures before the burden of proof shifts to the transmission owner.<sup>202</sup>

122. Finally, we believe that it is unnecessary to require that the MISO formula rate protocols be revised to allow interested parties to seek the Commission's appointment of a discovery master. First, we note that the numerous revisions that we have required above pertaining to the transparency of information supporting transmission owners' annual updates should ensure that interested parties will have access to sufficient information such that we anticipate that such disputes should be comparatively infrequent. Moreover, parties are free to request the appointment of a settlement judge and avail themselves of the on-call settlement judge, as well as the Commission's Dispute Resolution Service to resolve such matters. Lastly, requiring transmission owners to demonstrate the accuracy of their updates in the course of a formal challenge will encourage transmission owners to provide interested entities and the Commission with all information relevant to the contested matter.

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<sup>200</sup> As noted earlier, transmission owners will be required to file their annual updates, but only on an informational basis; they will not be noticed and, absent a formal challenge or complaint, will go into effect without being addressed by Commission order.

<sup>201</sup> *New England Power Co.*, 31 FERC ¶ 61,047, at 61,084 (1985).

<sup>202</sup> *Potomac-Appalachian Transmission Highline, LLC*, 140 FERC ¶ 61,229, at P 81 (2012) (citing *Midwest Indep. Transmission Sys. Operator, Inc.*, 115 FERC ¶ 61,224, at P 28 (2006)).

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123. Therefore, as discussed above, we will require MISO and the captioned transmission owners to revise both the *pro forma* and the company-specific formula rate protocols to enable interested parties to raise both informal and formal challenges regarding the transmission owner's annual update and true-up.

The Commission orders:

(A) The Commission finds that the formula rate protocols of MISO and the other above captioned parties are unjust, and unreasonable, as discussed in the body of this order.

(B) The above captioned parties are hereby directed to submit a compliance filing revising their formula rate protocols within 60 days of the date of this order, as discussed in the body of this order.

By the Commission.

( S E A L )

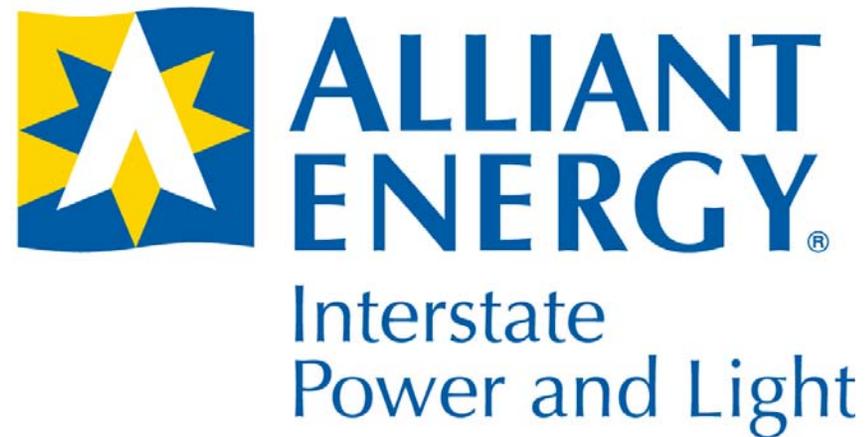
Nathaniel J. Davis, Sr.,  
Deputy Secretary.

Document Content(s)

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**Appendix 2**

**Appendix 3 – April 3, 2013 IPL Transmission Stakeholder Conference Call  
Presentation**



# **Transmission Stakeholder Update Conference Call**

**April 3, 2013**

John Weyer  
Manager – Transmission Services

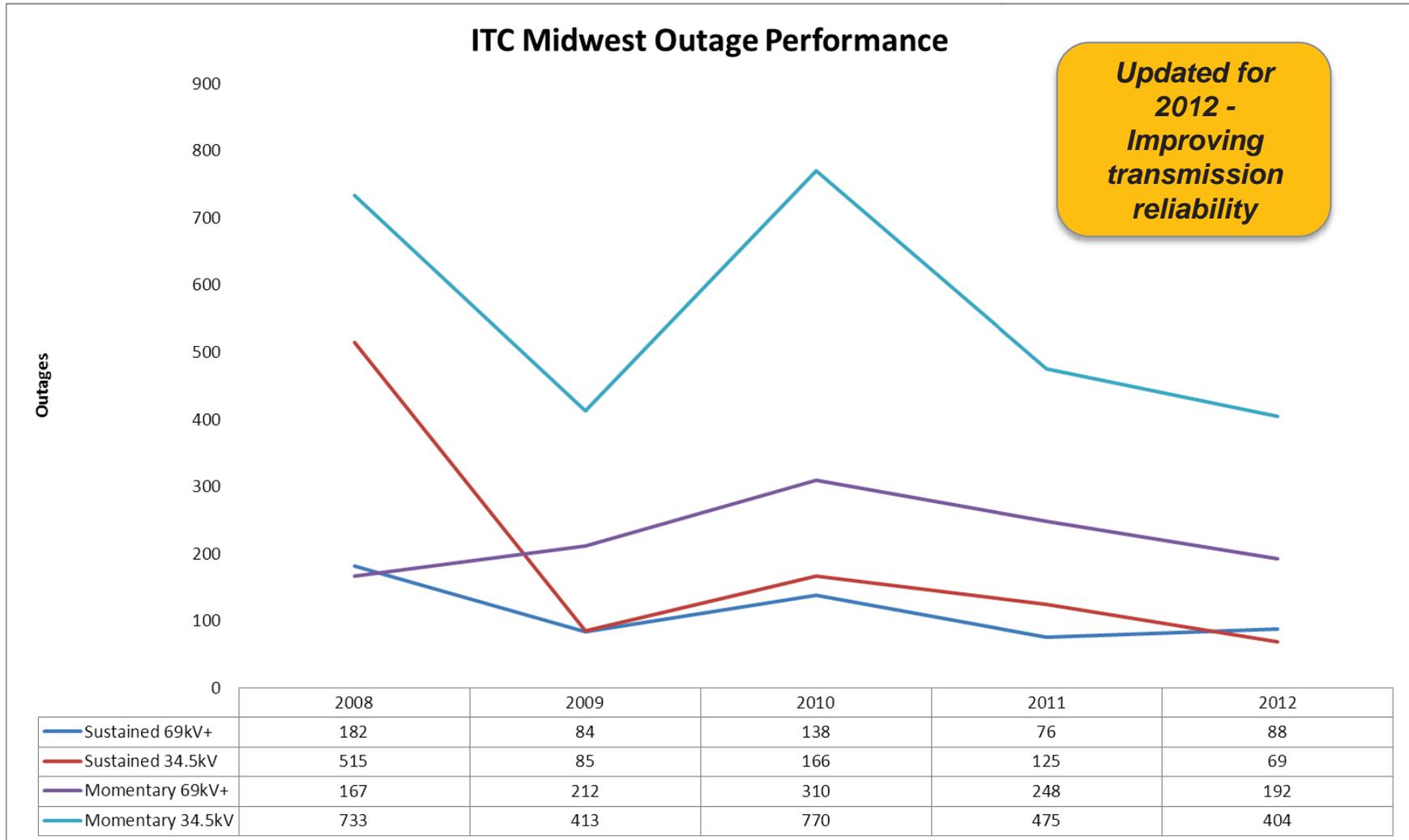
# Today's discussion

- Background
- Transmission benefits – reliability
- Transmission and overall rates
- Activity since November meeting
- Regulatory activity
- Questions?
- Who to contact

# Transmission benefits – reliability

- Customer reliability improving, in part due to ITC Midwest maintenance, rebuilds , voltage conversion, and new facility construction.
- IPL and ITC Midwest evaluating means to quantify reduced outages to customers.
- Year-to-year weather volatility is acknowledged - challenge of separating impact of weather impact vs. system improvements.
- Example: Cedar Rapids area reliability improvements
  - 161kV loop, 34.5kV system retirement

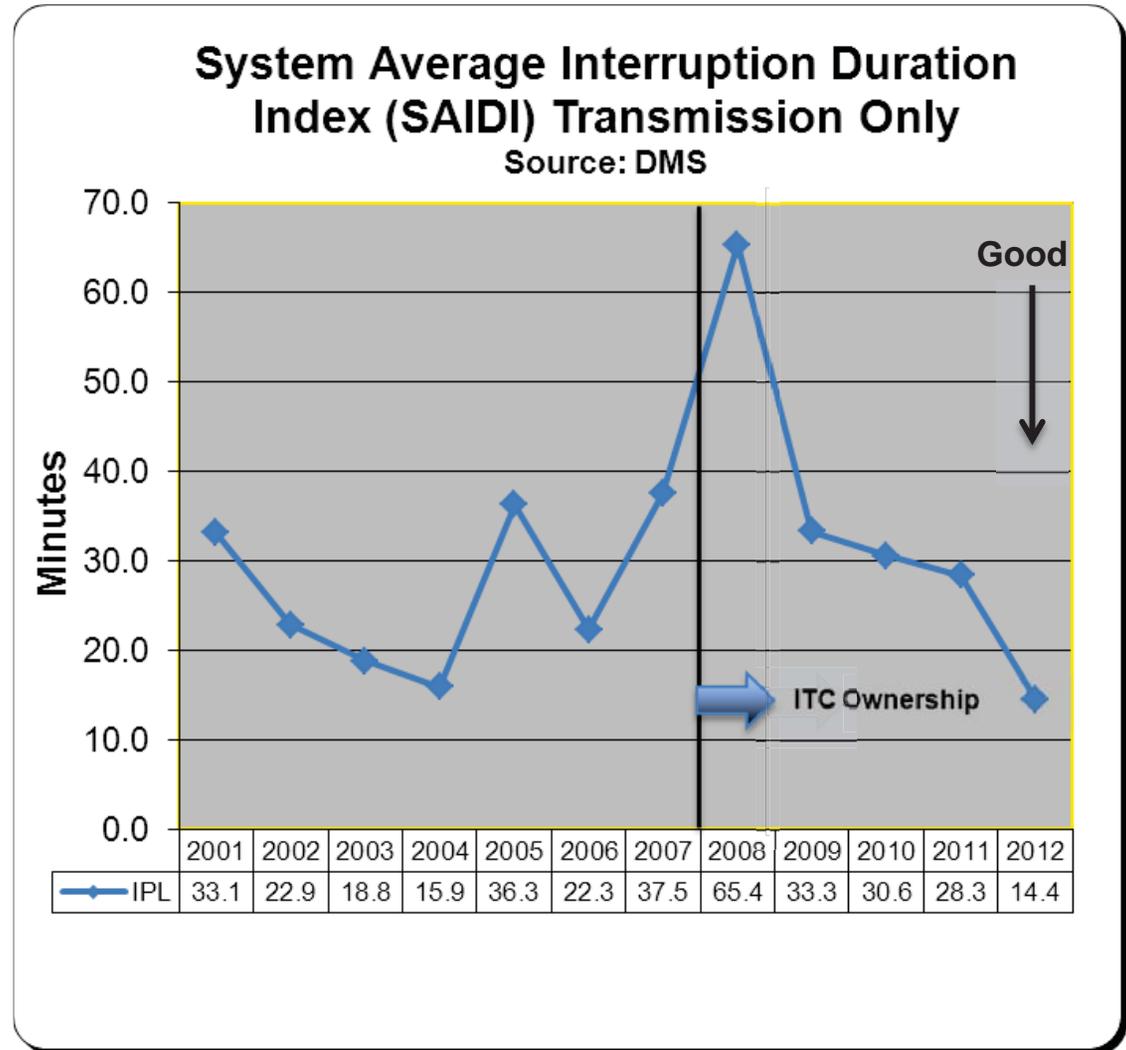
# Transmission benefits – reliability



# Transmission benefits – 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.

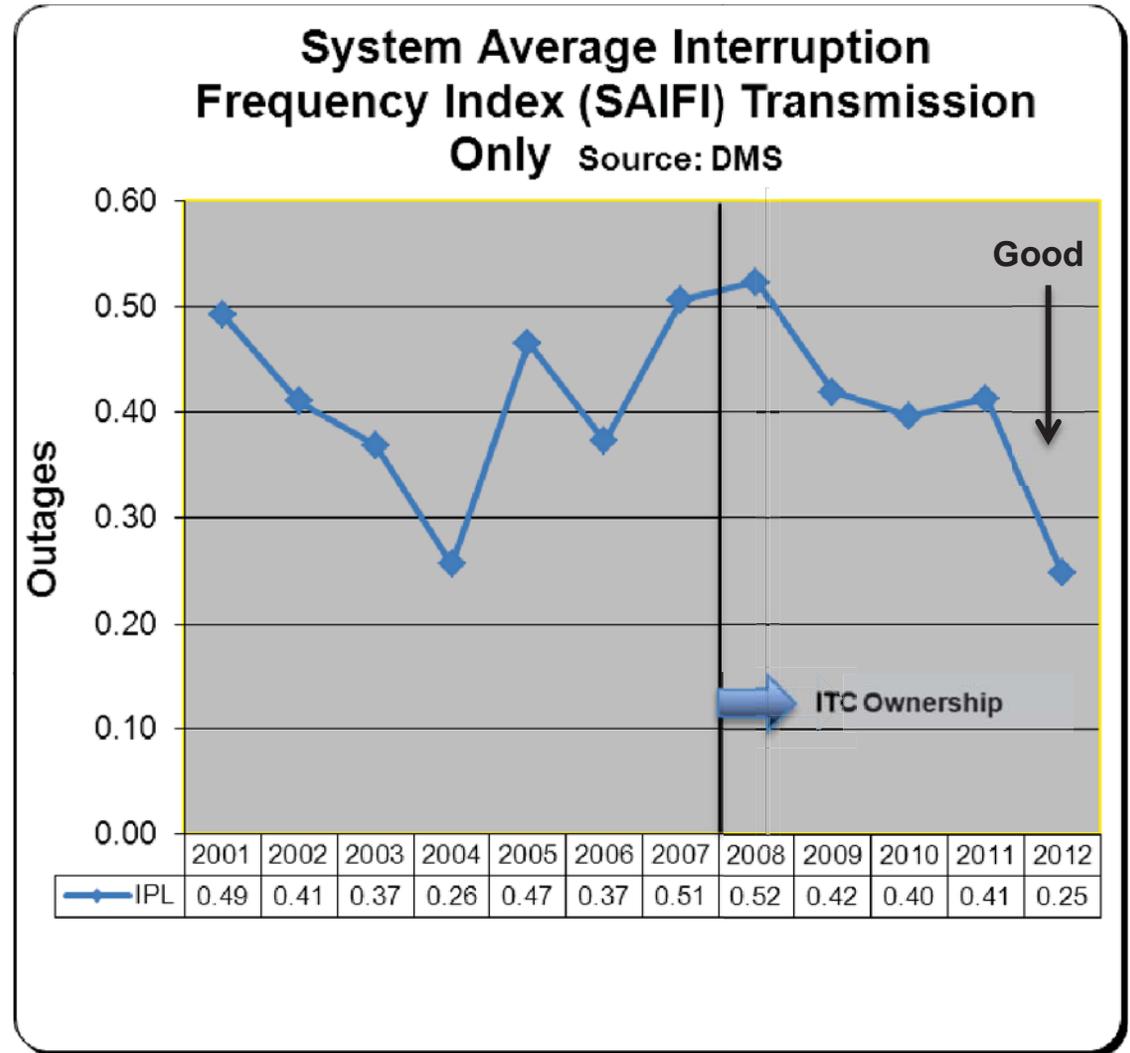
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2012 -  
Improving  
transmission  
reliability*



# Transmission benefits – reliability

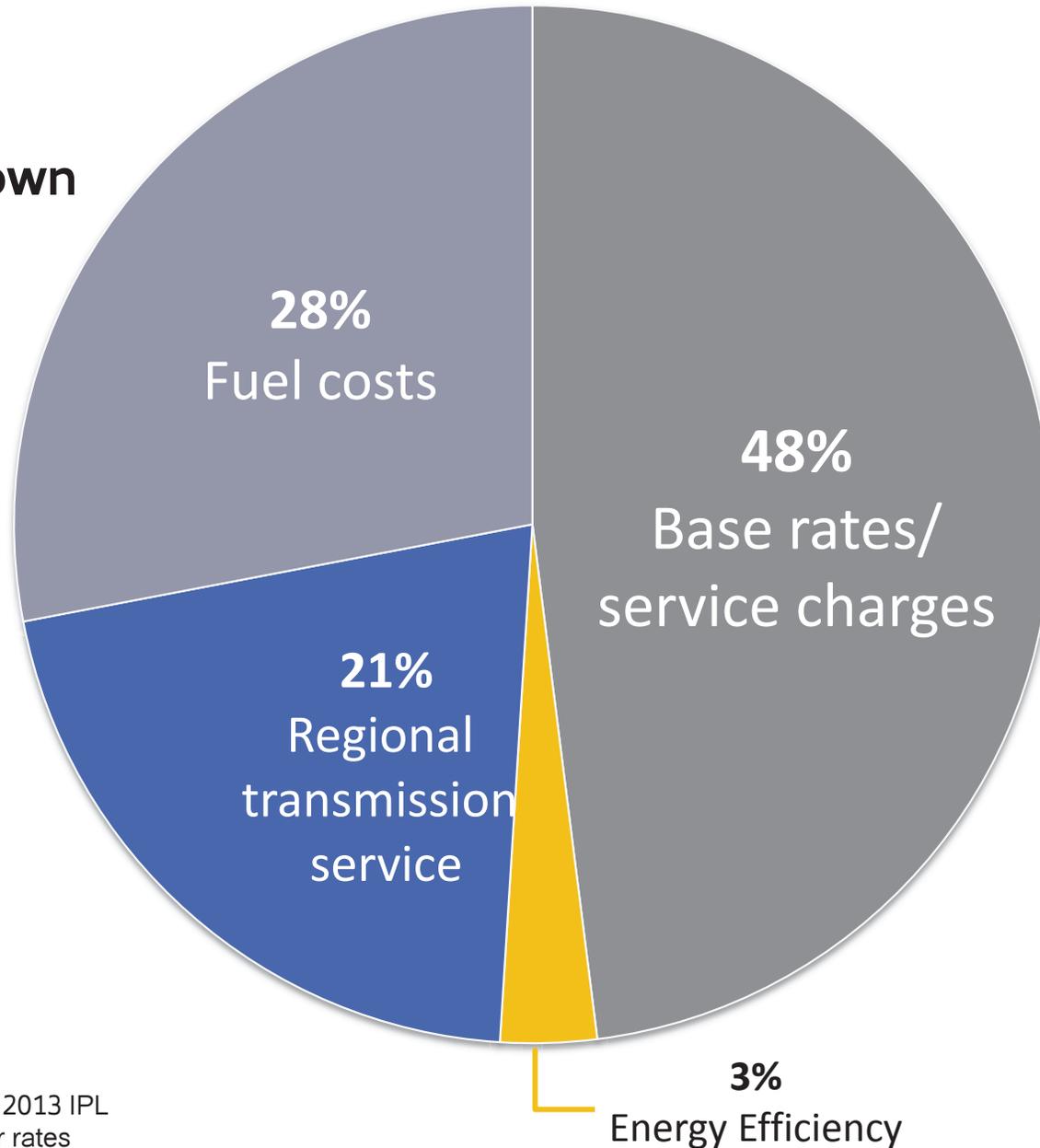
- SAIFI (System Average Interruption Frequency Index) – Industry standard metric of average number of outages experienced by all customers.
- Excludes "major" events (i.e. 2007 ice storms, 2008 floods) using IUB criteria for data normalization.

**Updated for  
2012 -  
Improving  
transmission  
reliability**



# Transmission and overall rates

## IPL Bill Breakdown

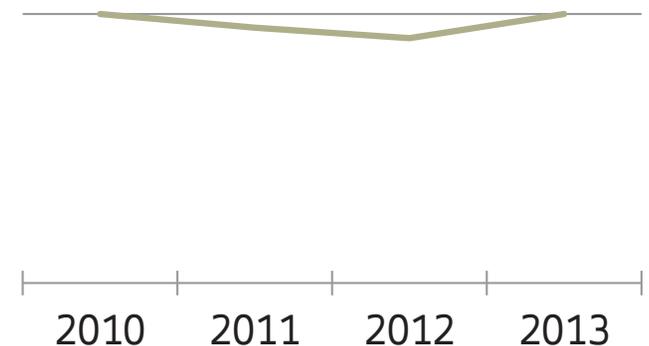


Based on average 2013 IPL industrial customer rates

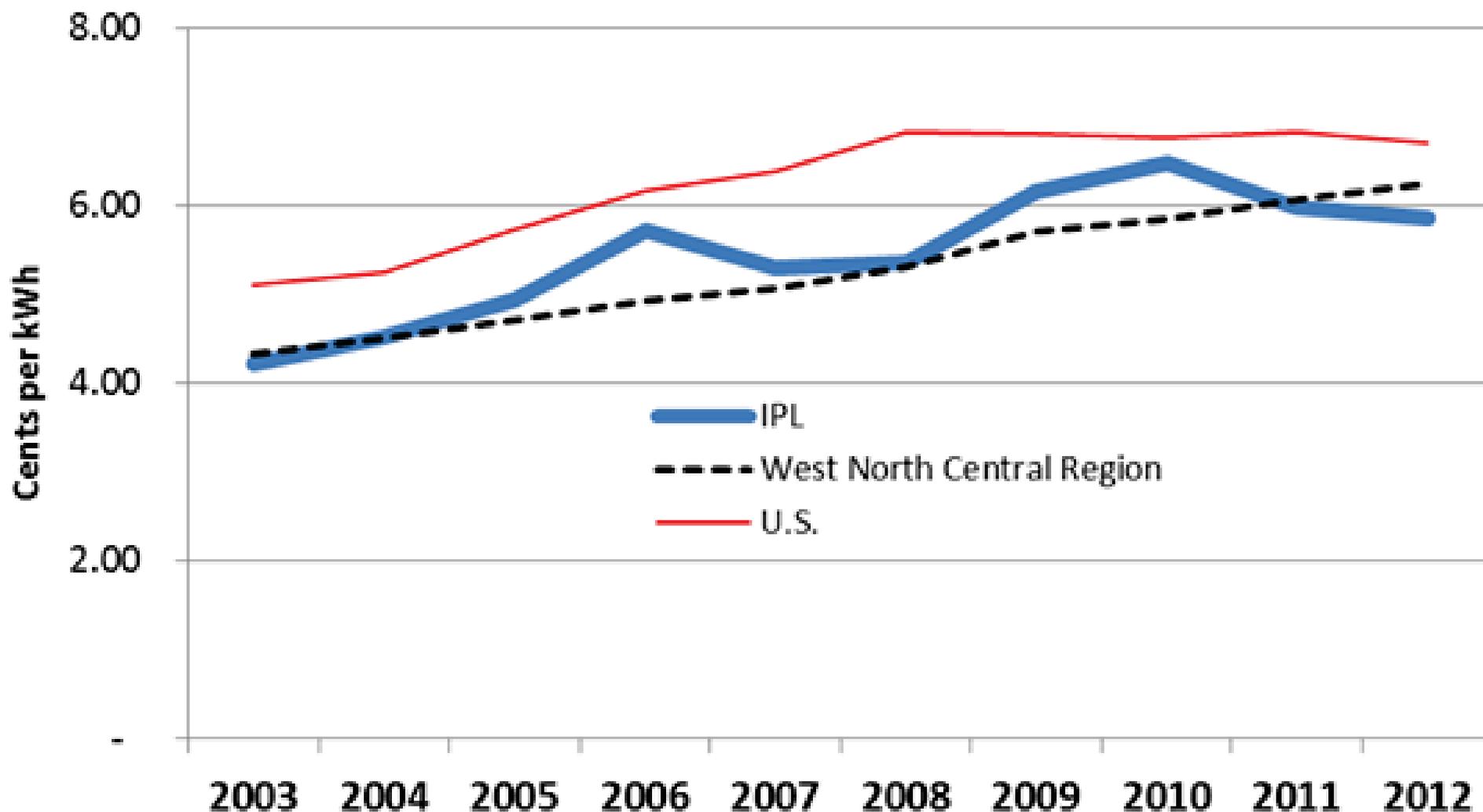
# Overall IPL energy price

- 2012 actual prices were a low point since 2010
  - Fuel costs and Tax Benefit Rider (TBR) are drivers
- 2013 outlook is similar to 2010
  - Increase in fuel costs, transmission, and TBR are drivers for increasing bills in 2013

## Energy Prices

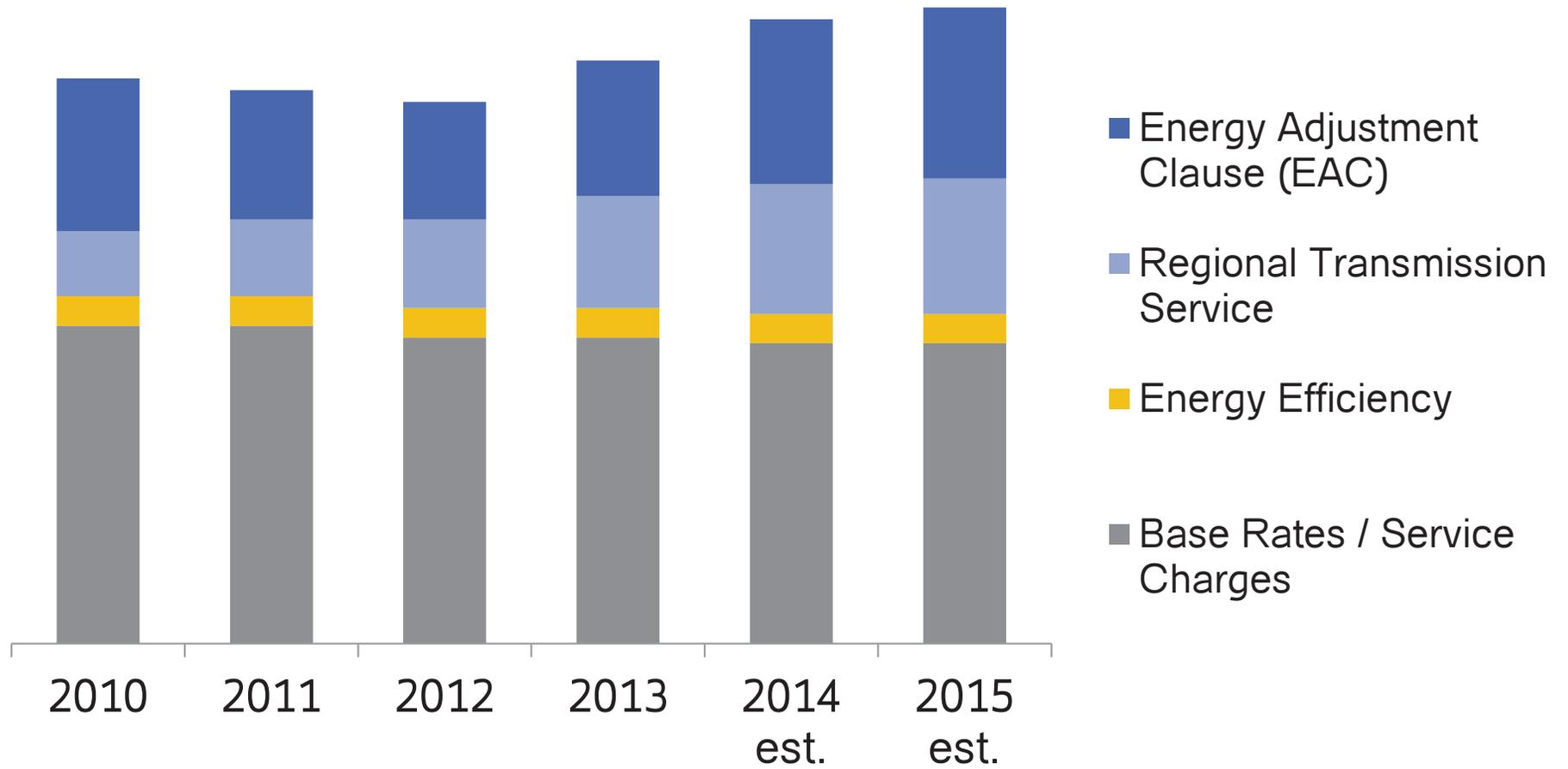


# Industrial Average Rate Comparison



Source U.S. Energy Information Administration: EIA-826 "Monthly Electric Utility Sales and Revenue" and Electricity Data Browser: "Average Price of Electricity"

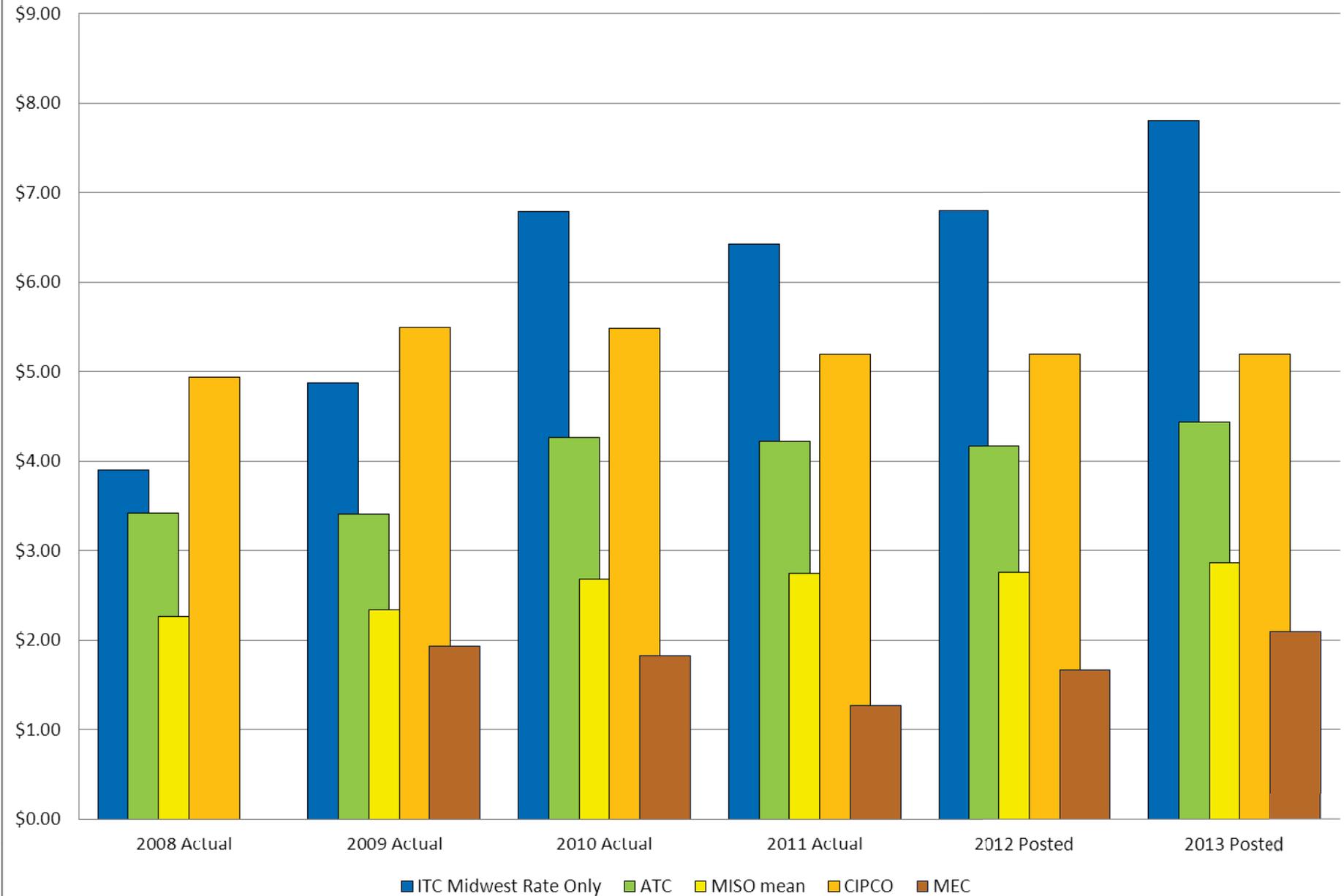
# IPL price comparison



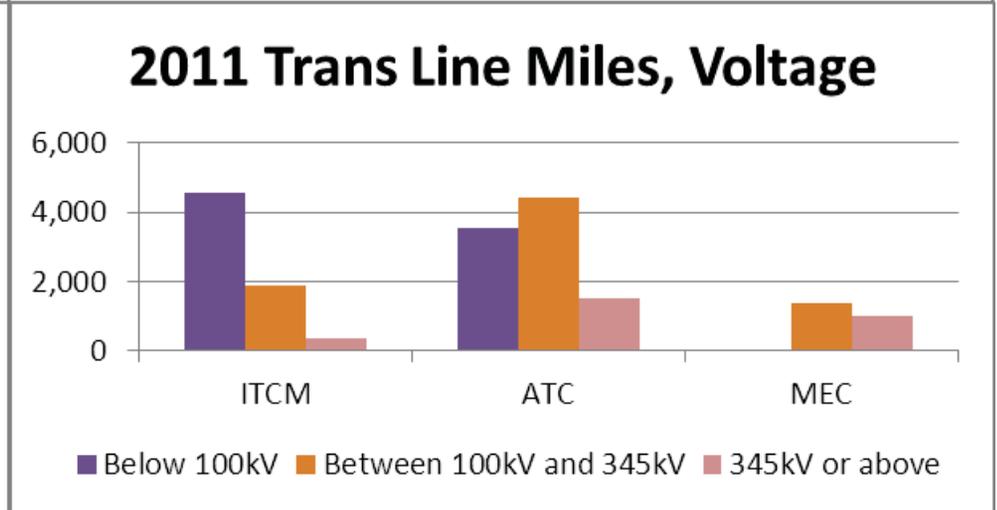
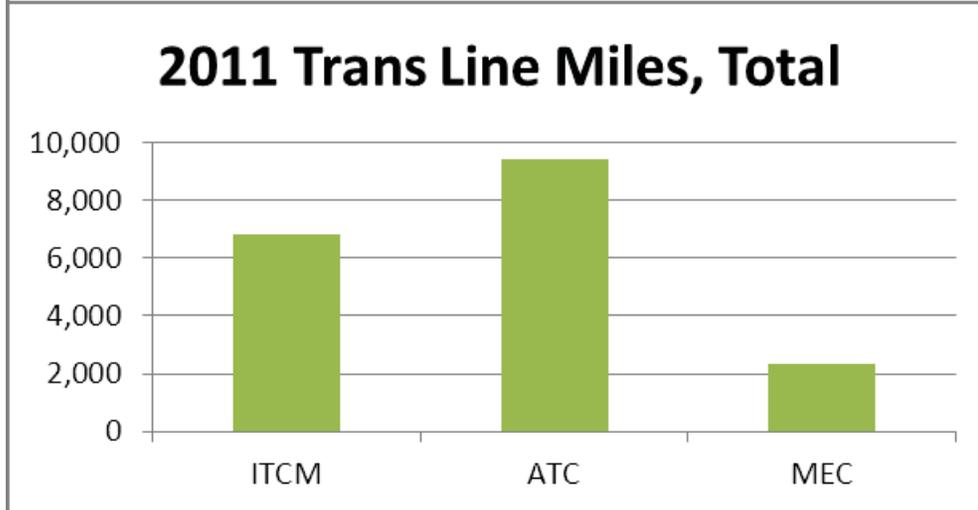
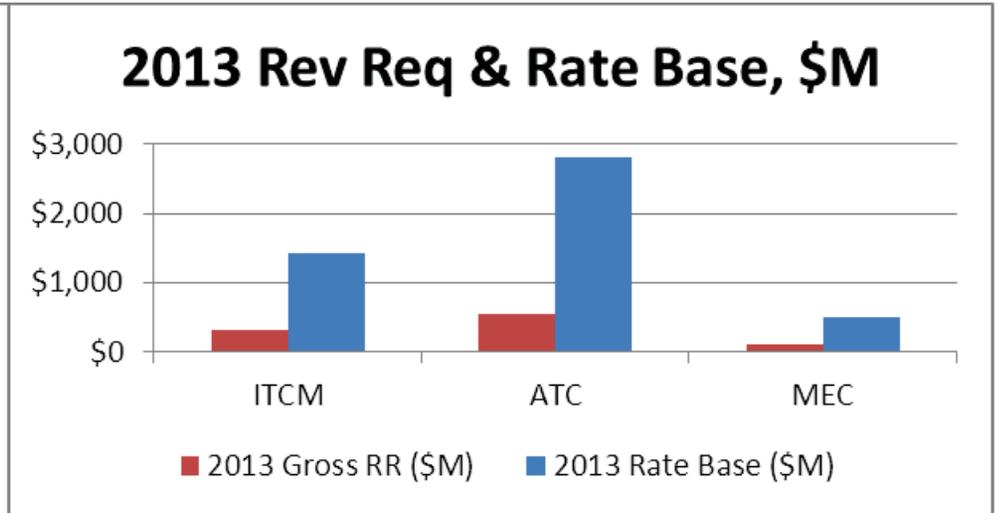
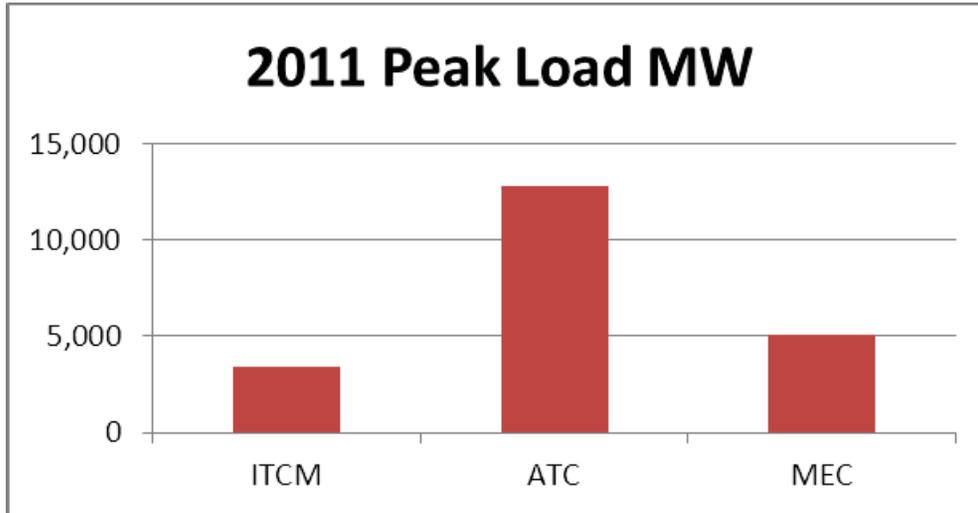
Based on average IPL industrial customer rates

# Transmission rates

## ITC Midwest Rate Comparison to Others



# ITCM unique in asset base, load, pace



- ITCM line miles high, load less
- ITCM high proportion of lower voltage lines (rebuild/convert focus), rural lines
- Increased MEC rate reflects in part reclassification of some distribution assets to transmission. Historical distribution rate high.

# Activity since November meeting

- ITCM filing to IUB in response to IPL's Dec. 2012 Semi-Annual Transmission Report. Among complaints:
  - IPL opposition to the ITCM MTEP 13 plans – dialog continues
  - IPL presentation of ITCM historical rates
  - IPL comparison of ITCM rates to others
    - IPL analysis indicates ITCM's O&M \$/line-mile cost is lower than some peer companies
  - IPL presentation of reliability metrics
    - IPL emphasizes customer experience, not only asset performance
  - Attendance of IPL customers to ITCM Partners in Business meetings
    - IPL welcomes IPL customer attendance to ITCM meetings

# Regulatory

- **FERC Investigation of MISO Attachment O** - Scope of customer participation, transparency and ability to challenge
  - IPL filed comments supporting investigation and suggesting improvements
  - Scope and timeline of FERC action unknown at this time
- **FERC Audit of ITC Holdings** – FERC found improper recovery of tax effects of amortized goodwill
  - IPL filed comments stating that any conflict between ITC and the FERC staff positions ‘must be resolved in favor of customers’
  - FERC accepted ITC’s compliance plan where refund of \$2.6 million be included in 2012 true-up applied to 2014 rates
- **ITC Midwest Attachment FF** - Provides 100% reimbursement for network upgrades associated with Generator Interconnect Projects, different from majority of MISO. IPL opposition at MISO and through FERC filing.
  - Customers are significantly and unfairly disadvantaged
  - IPL estimates a \$170 million cost shift to IPL customers 2008-2016
  - Supporting comments from stakeholders, transmission dependent utilities, state commissions, others
  - Scope and timeline of FERC action unknown at this time
- **ITC – Entergy Transaction**
  - State and federal regulatory applications made , in review process. ITC expects to close expected by end of 2013.
  - IPL concerns expressed in FERC filing
    - Cost allocation across ITC companies
    - Impact to ITC Midwest rates
    - Potential diversion of management attention from ITC Midwest

**IPL continues to influence transmission cost through our advocacy for IPL customers with ITC Midwest, MISO and regulatory policy.**

# Upcoming transmission activities

- **May 15-16** - ITCM Partners in Business meeting in Cedar Rapids, Albert Lea
- **June** - ITCM posts Attachment O true-up from 2012, to be applied to 2014 rate
- **June 5** - IPL Transmission Stakeholder meeting in Cedar Rapids
- **June 30** - IPL Semiannual Transmission Report due to IUB
- **October** - ITCM Attachment O transmission rate for 2014 to be posted. ITCM Partners in Business meetings.
- **November** - IPL Transmission Stakeholder meeting. IPL reconciles 2013 RTS Factor balance.
- **December** - RTS Factors filed with IUB for approval
- **December 31** - IPL Semiannual Transmission Report due to Iowa Utilities Board
- **January 2014** - RTS Factors in effect

# Questions?

# Who to contact at Alliant Energy?

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

*Thank you!*

**Appendix 4 – Follow-up to April 3, 2013 IPL Transmission Stakeholder Conference Call**



### Follow-up Questions and Responses from

#### April 3, 2013 IPL Transmission Stakeholder Conference Call

The following are responses to those questions that Interstate Power and Light Co. (IPL) indicated would be followed-up on afterwards with participants.

- 1. Regarding slide 9 showing the Industrial Average Rate Comparison, please show more information regarding the data underlying the graph, showing how much IPL rates are above or below the averages.**

Response: The additional information is shown on the next page.

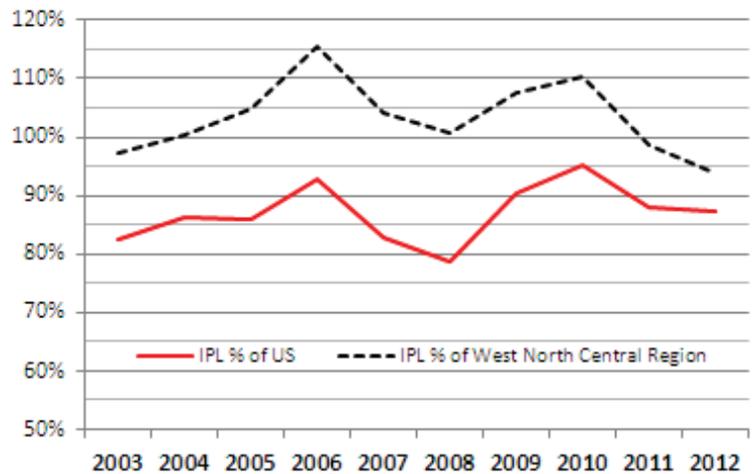
Company	Year	INDUSTRIAL REVENUES (\$1,000)	INDUSTRIAL SALES (MWh)	Industrial Average Rate (cents / kWh)
IPL	2003	327,806	7,777,943	4.21
IPL	2004	359,119	7,924,882	4.53
IPL	2005	399,800	8,103,513	4.93
IPL	2006	454,667	7,959,173	5.71
IPL	2007	415,262	7,844,004	5.29
IPL	2008	419,909	7,832,439	5.36
IPL	2009	425,907	6,912,244	6.16
IPL	2010	455,874	7,044,823	6.47
IPL	2011	429,038	7,163,324	5.99
IPL	2012	421,155	7,198,101	5.85
U.S.	2003	103,481,860	2,024,746,502	5.11
U.S.	2004	106,954,134	2,035,699,061	5.25
U.S.	2005	116,890,571	2,038,312,141	5.73
U.S.	2006	182,130,687	2,953,955,505	6.17
U.S.	2007	131,423,871	2,055,663,846	6.39
U.S.	2008	137,840,787	2,018,600,627	6.83
U.S.	2009	125,007,671	1,834,884,136	6.81
U.S.	2010	130,622,429	1,924,329,443	6.79
U.S.	2011	135,211,503	1,982,631,122	6.82
U.S.	2012	131,382,431	1,961,874,669	6.70

Region	Year	Industrial Average Rate (cents / kWh)
U.S.	2003	5.11
U.S.	2004	5.25
U.S.	2005	5.73
U.S.	2006	6.16
U.S.	2007	6.39
U.S.	2008	6.83
U.S.	2009	6.81
U.S.	2010	6.77
U.S.	2011	6.82
U.S.	2012	6.70
West North Central Region	2003	4.34
West North Central Region	2004	4.51
West North Central Region	2005	4.71
West North Central Region	2006	4.94
West North Central Region	2007	5.08
West North Central Region	2008	5.32
West North Central Region	2009	5.72
West North Central Region	2010	5.86
West North Central Region	2011	6.08
West North Central Region	2012	6.24

Year	IPL % of West North Central Region	
	IPL % of US	IPL % of West North Central Region
2003	82%	97%
2004	86%	100%
2005	86%	105%
2006	93%	116%
2007	83%	104%
2008	79%	101%
2009	90%	108%
2010	95%	110%
2011	88%	99%
2012	87%	94%

West North Central Region includes the following states: IA, KS, MN, MO, ND, NE, SD

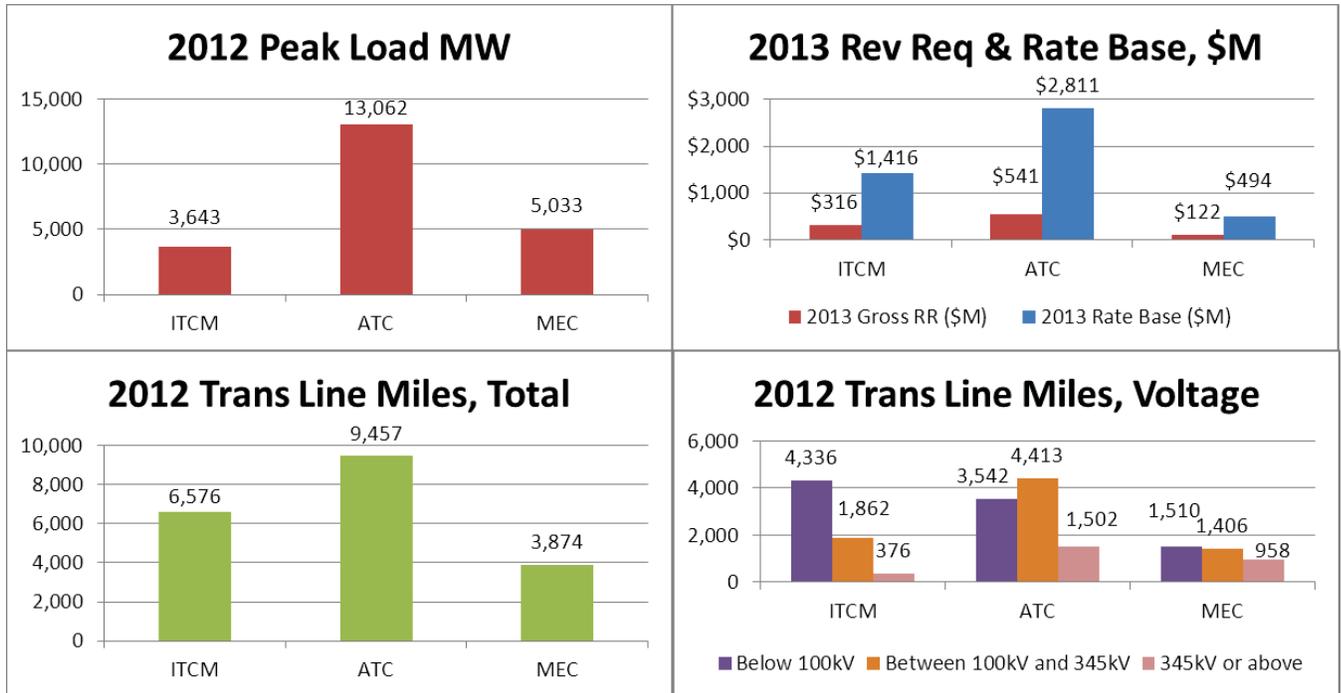
Industrial Average Rate Comparison



Source U.S. Energy Information Administration: EIA-826 "Monthly Electric Utility Sales and Revenue" and Electricity Data Browser: "Average Price of Electricity"

2. Please update the data on slide 12 with 2012 FERC Form 1 data once it is available.

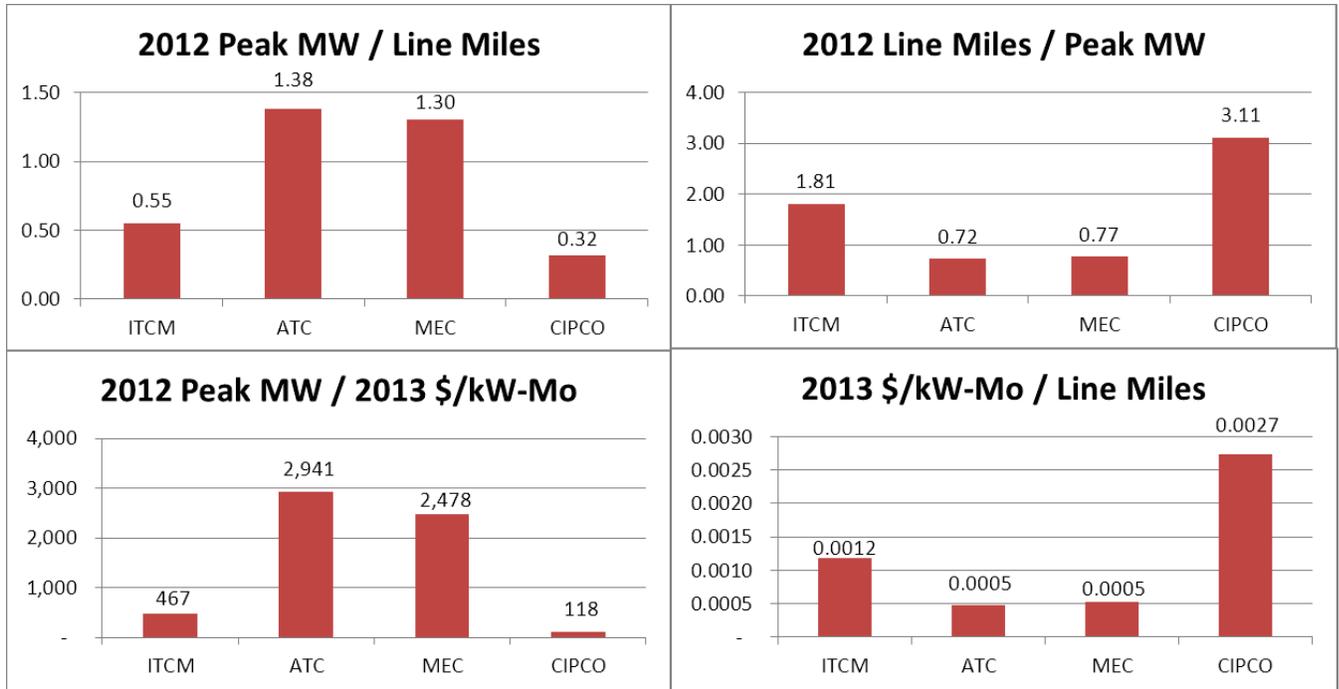
Response:



- ITCM line miles high, load less
- ITCM high proportion of lower voltage lines (rebuild/convert focus), rural lines
- Increased MEC rate reflects in part reclassification of some distribution assets to transmission. Historical distribution rate high.

3. Regarding the ITC Midwest rate comparisons on slide 12, please show some other data views that illustrate the differences, such as MW/line miles, etc.

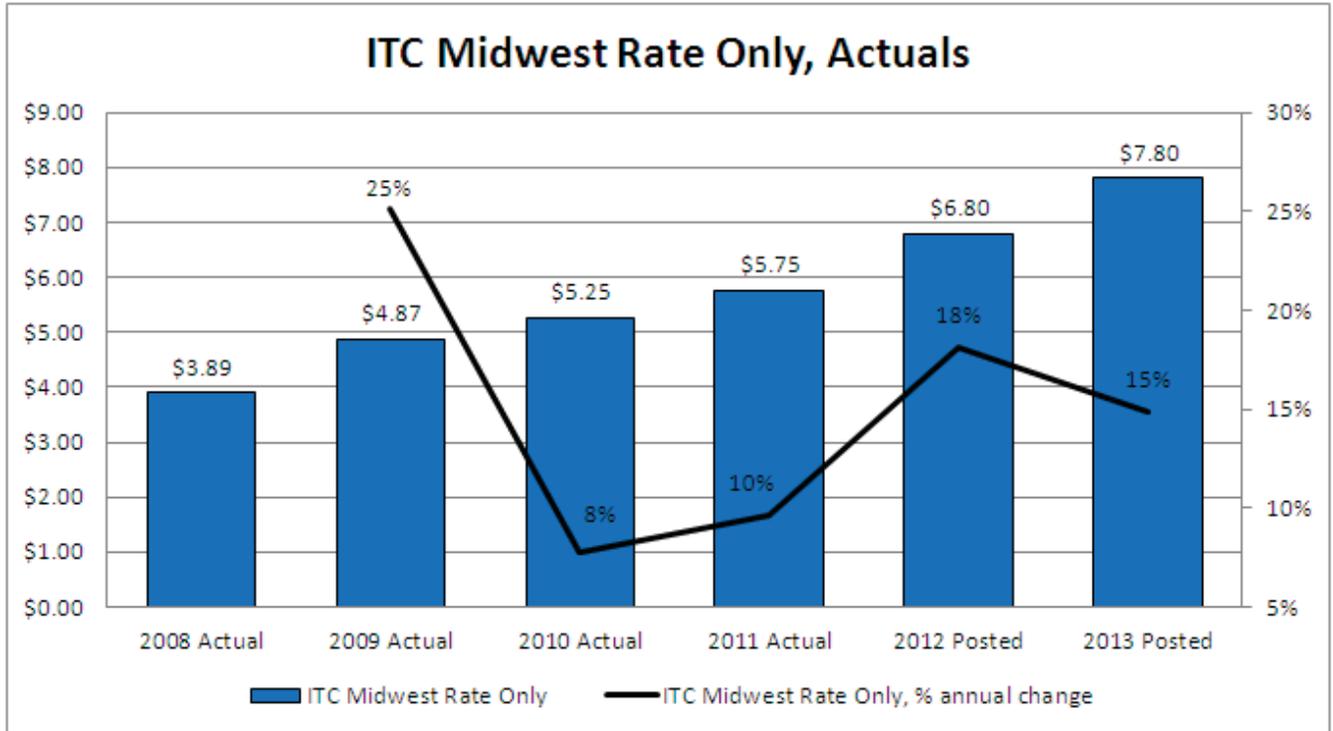
Response:



- ITCM line miles high, load less
- ITCM high proportion of lower voltage lines (rebuild/convert focus), rural lines
- Increased MEC rate reflects in part reclassification of some distribution assets to transmission. Historical distribution rate high.

4. It would be helpful to show the ITC Midwest rate increases on slide 11 on a percent basis.

Response:



Notes

- 1 Actual rates reflect ITC Midwest actual net revenue requirements in the year shown, and as such do not include true-ups from prior years.
- 2 IPL had previously shown 2010-2011 actual rates for ITC Midwest including the true-ups from 2008-9 respectively. This was incorrect since the 2008-9 actual rates already included the true-ups resulting from the actual revenue requirements in those years.
- 3 ITC Midwest rates only shown, not rates for the entire ITC Midwest Rate Zone which include revenue requirements from other transmission owners in the rate zone.

5. **It was noted that in the ITC Holding's filing application with FERC for the acquisition of the Entergy Corporation (ETR) transmission assets, ITC indicated it would not be using the same form of the MISO Attachment FF used by the existing ITC operating companies in the ETR region. (The form of the MISO Attachment FF used by the existing ITC operating companies, including ITC Midwest, allows for up to 100% reimbursement of costs to generators interconnecting to the transmission system.) It was asked if ITC's approach in the ETR region represents a change in ITC perspective on the use of 100% reimbursement.**

Response:

As IPL noted in the meeting discussion, at the time of the purchase of the transmission system, ITC Midwest did not have its current version of Attachment FF in place. ITC Midwest, along with ITC Holdings Corporation Michigan transmission company subsidiaries, filed to change Attachment FF to its current implementation in April 2008 (FERC Docket No. ER08-796-000). IPL does not know if ITC Holdings' current intention to not implement a similar Attachment FF in the ETR region is a change in perspective by ITC Holdings.

6. **Regarding the ITC Midwest and American Transmission Company (ATC) dispute of ownership of the planned Dubuque-Cardinal 345kV line, associated FERC filings and subsequent ruling, it was asked why if ATC was willing to build the Wisconsin segment, why ITC Midwest pushed for ownership of a portion of the line in WI? Why should ITC Midwest customers (in Iowa and Minnesota) share in the cost of facilities in Wisconsin?**

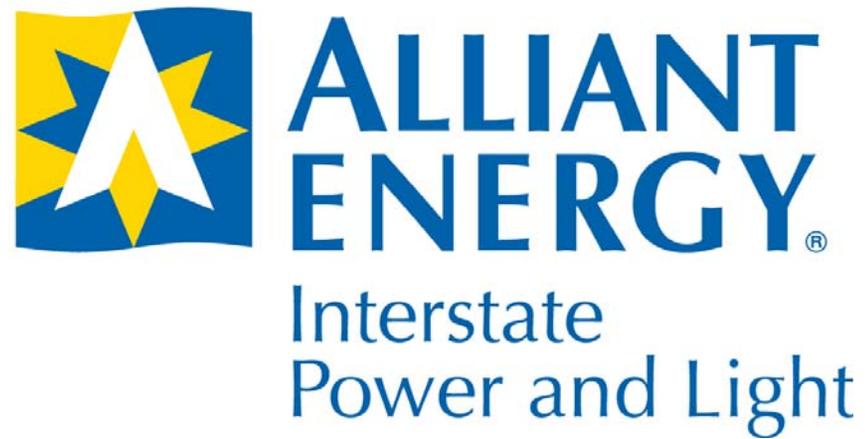
Response:

The planned Dubuque-Cardinal 345kV line is part of a MISO Multi Value Project (MVP) approved by MISO in its 2011 MISO Transmission Expansion Plan (MTEP). At dispute between ITC Midwest and ATC has been the ownership of the Dubuque to Cardinal segment. Cardinal is an ATC substation in Wisconsin. ITC Midwest argued that it should have 50% ownership consistent with the MISO transmission owners' agreement which stipulates that ownership of facilities that connect to two or more owners should be divided between those owners. In February 2013, FERC ruled in favor of ITC Midwest.

It is IPL's observation that the ruling is consistent with the MISO transmission owners' agreement and MTEP 2011 approved by MISO.

Further, it is observed that the specific ownership of the line segment—or any MVP— has no effect on cost to IPL customers since the cost for all MVPs is allocated across all of MISO on an energy use basis, recognizing they bring region-wide benefits. IPL estimates that customers are exposed to approximately 4-5% of the MVP project costs regardless of where in MISO they are located or who has ownership of them.

**Appendix 5 – June 3, 2013 IPL Transmission Stakeholder Meeting Presentation**



## **Transmission Stakeholder Meeting**

The Hotel at Kirkwood Center

Cedar Rapids, Iowa

June 3, 2013

# Welcome & Introductions

**John Weyer**

Manager - Transmission Services

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

# Today's Discussion

- Transmission Benefits – Reliability
- Economic Benefits of Transmission Investment
- Transmission and Overall Rates
- Recent Activity
- Transmission Policy / Regulatory Update
- ITC Midwest Update
- Upcoming Transmission Activities
- Wrap Up

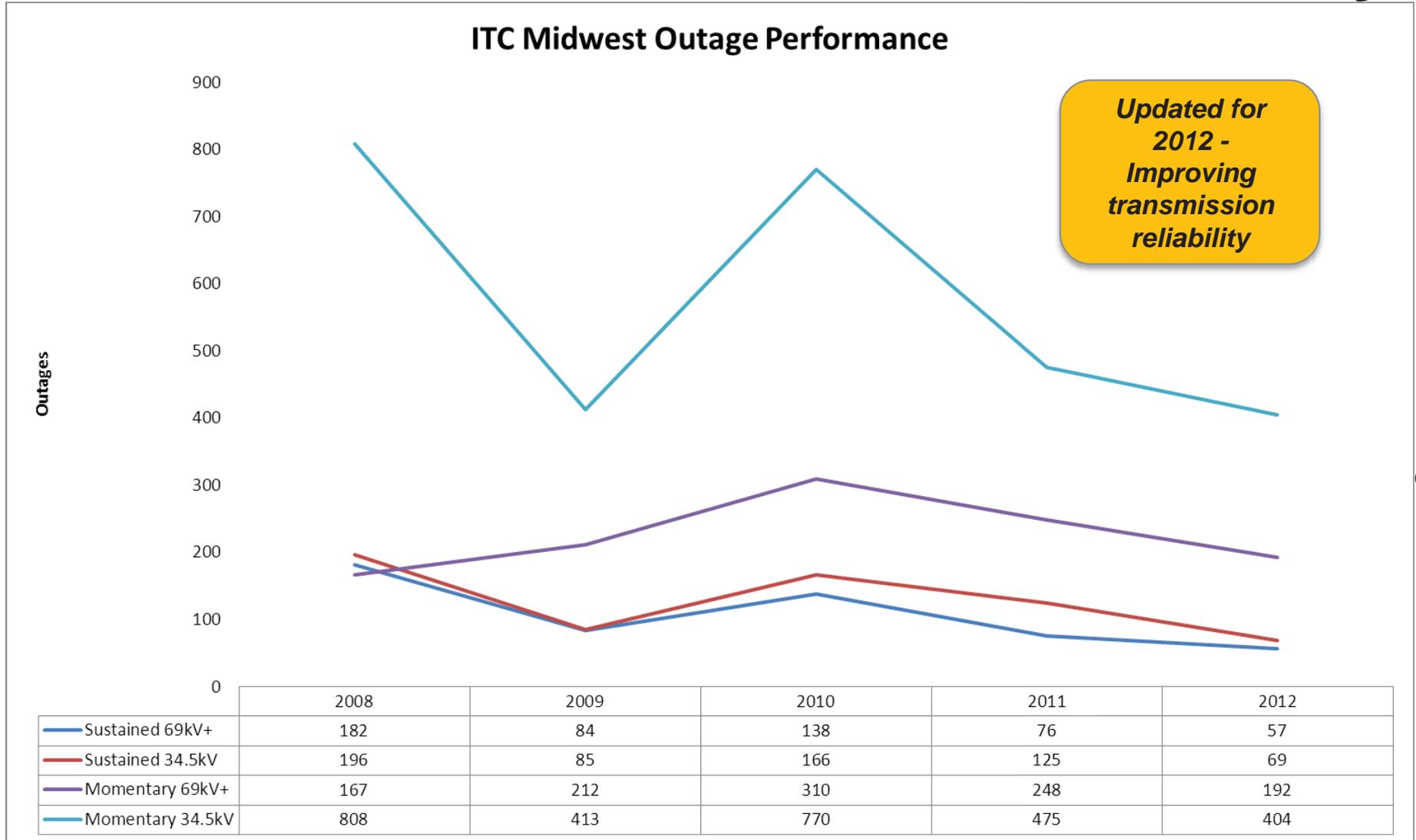
# Welcome

**Tom Aller**  
President  
Alliant Energy – IPL

# Transmission Benefits – Reliability

- ITC Midwest continues maintenance, rebuilds, voltage conversion and new facility construction
- Customer reliability is improving
- Year-to-year weather volatility must be considered when viewing reliability metrics
- IPL continues to work closely with ITC Midwest to coordinate transmission and distribution work to maximize reliability improvements and minimize each others' costs
- Example: Cedar Rapids area reliability improvements
  - 161kV loop, 34.5kV system retirement

# Transmission Benefits – Reliability

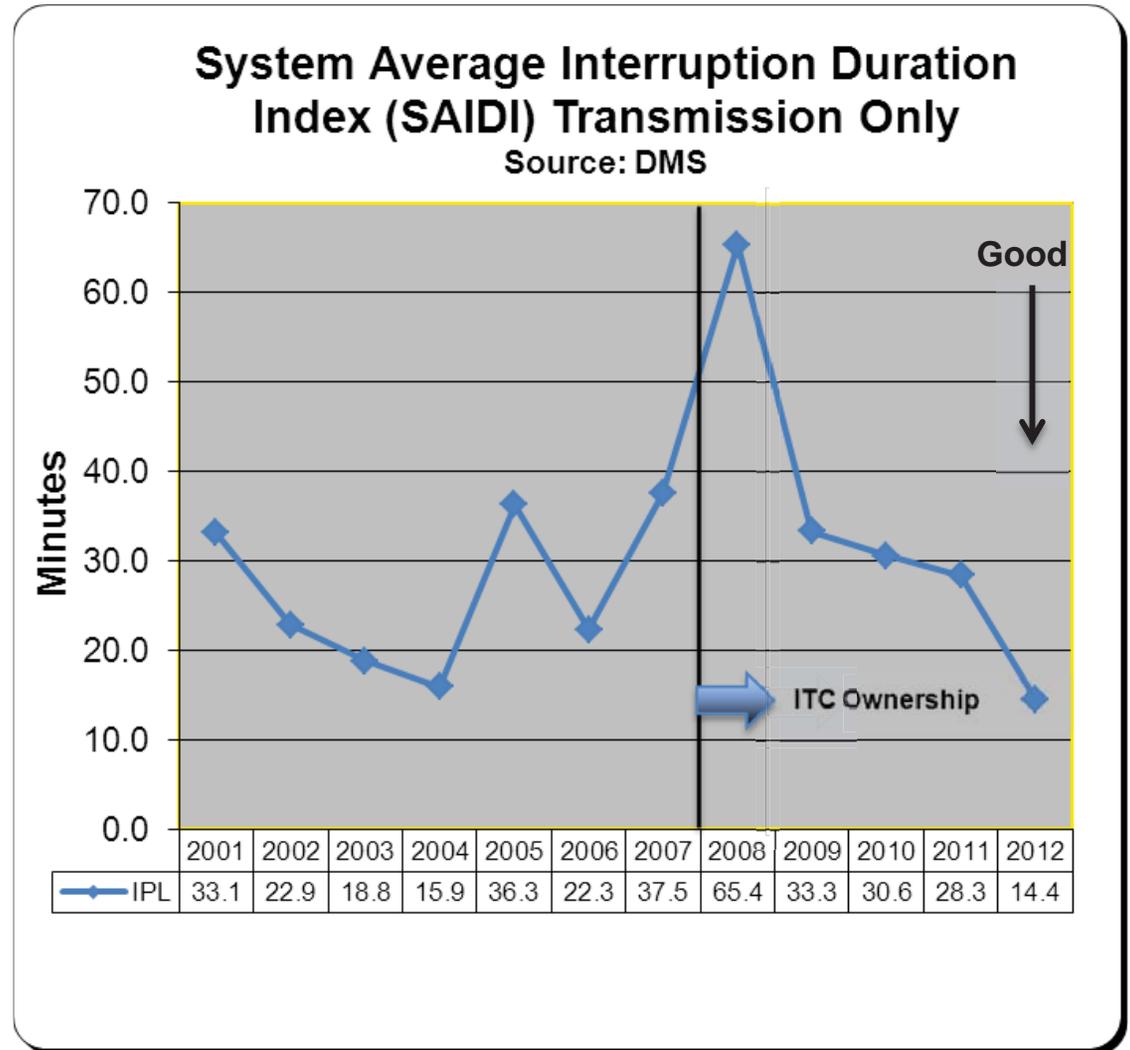


Data updated by ITC Midwest in May 2013 using consistent criteria across all years.

# Transmission Benefits – 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.

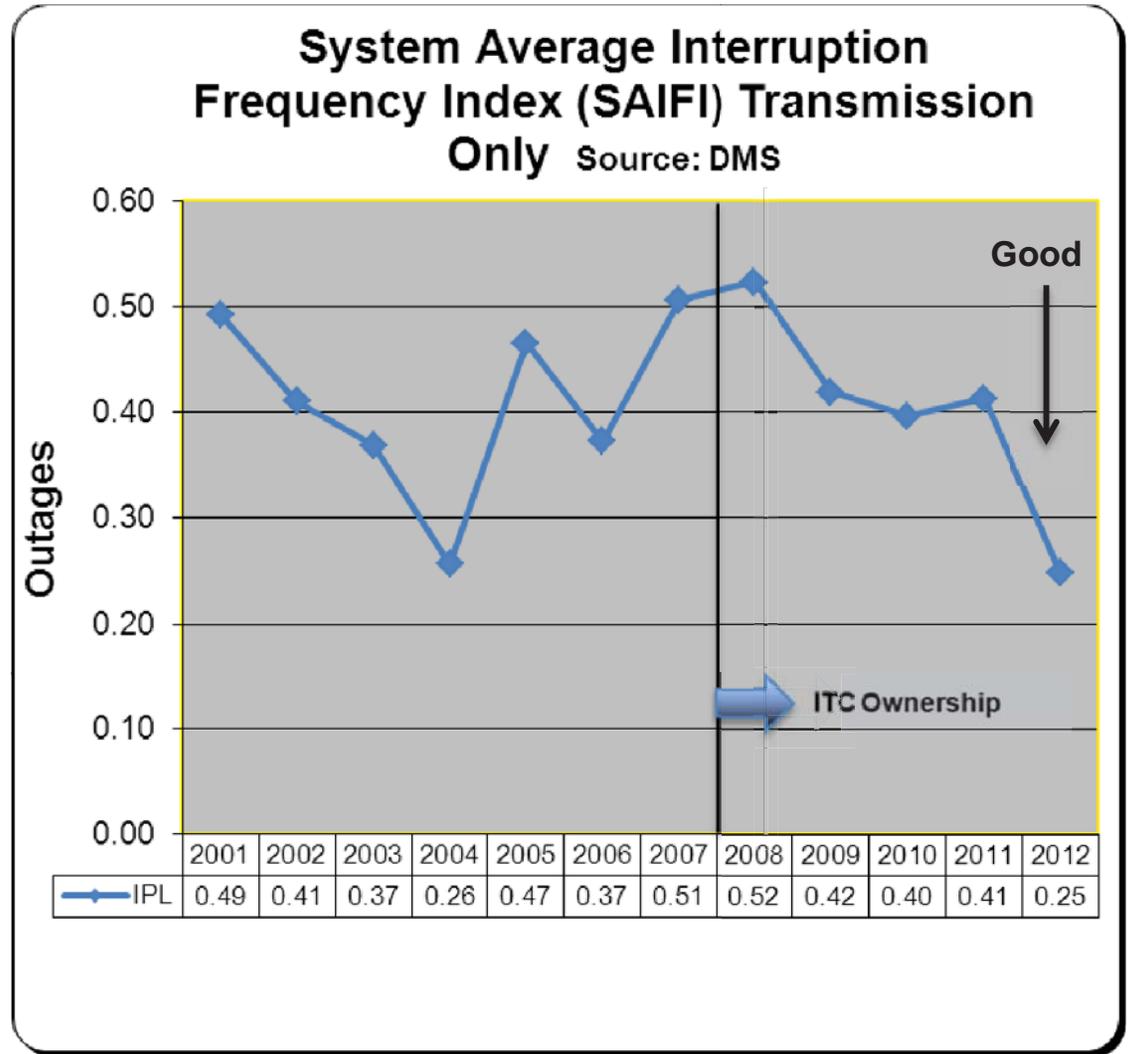
*Updated for  
2012 -  
Improving  
transmission  
reliability*



# Transmission Benefits – 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.

**Updated for  
2012 -  
Improving  
transmission  
reliability**



# Economic Benefits of Transmission Investment

**Don Morrow, PE**

Sr Vice President, Advisory Services

Quanta Technology, LLC



Smart Solutions, Practical Results



# Economic Benefits of Transmission Investment

Donald Morrow  
Quanta Technology

June 3, 2013

Quanta Technology, LLC  
4020 Westchase Boulevard  
Suite 300  
Raleigh, NC 27607 USA  
Tel: +1 919-334-3000  
[www.quanta-technology.com](http://www.quanta-technology.com)

# Quanta Services

- Extensive experience with both transmission & distribution
- More than 75% of all investor-owned utilities in the US
- More than 90% of Canadian utilities
- Industry leaders and Fortune 500 companies



# QUANTA TECHNOLOGY

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## Who we are:

- Independent arm of Quanta Services
- Technical, regulatory & business consulting
- 100+ professional staff with an average experience of 20+ years in the industry
- Deep experience in project development – both transmission & distribution
- Utility and regulatory agency clients
- Headquarters in Raleigh, NC, with regional USA and international offices

# Outline

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Background

Economic Benefits of Reliability

Economic Benefits of Market Access

Economic Benefits of Enabled Opportunities

Regulatory Climate & Customer Involvement

Q & A





# Background



# Role of Transmission

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- Moves Power over Long Distances
- Supports Reliability of the Grid
- Supports Economic Operations of the System
- Enables Access to Energy Markets
- Increases Operational Flexibility
- All of these have economic value and are **ADDITIVE**

# **Current State of Transmission Development in North America**

- After many decades of underinvestment, growing electricity demand and changing needs, the North American electric grid requires significant investment
  - More than 30% of infrastructure is beyond it's useful life; another 30% is approaching end of useful life
  - Electric grid is a patchwork of local networks not built for today's use
  - Electric grid interconnection and very little redundancy
  - Several utilities have signaled a need to add transmission capacity to compensate for decommissioning of fossil power plants

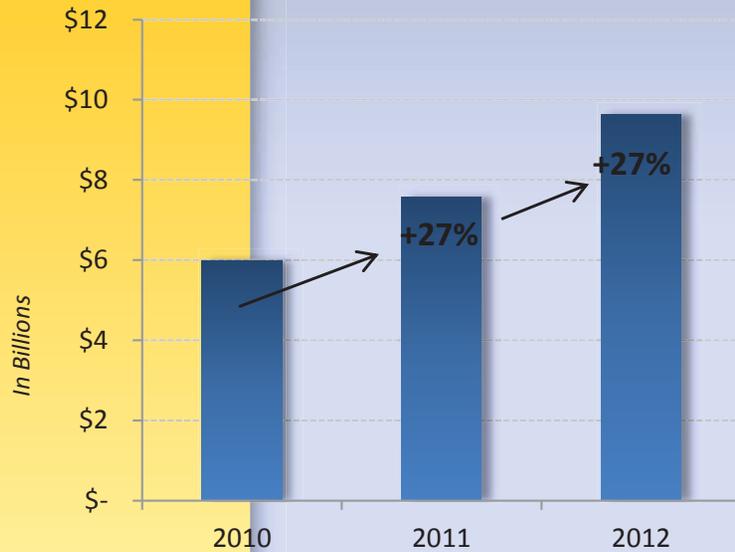
## **TRANSMISSION GROWTH DRIVERS**

- Energy Policy Act of 2005
- FERC & NERC Reliability projects
- Growing electricity demand
- Environmental regulations
- Renewable interconnection

# USA Transmission Investment Trends

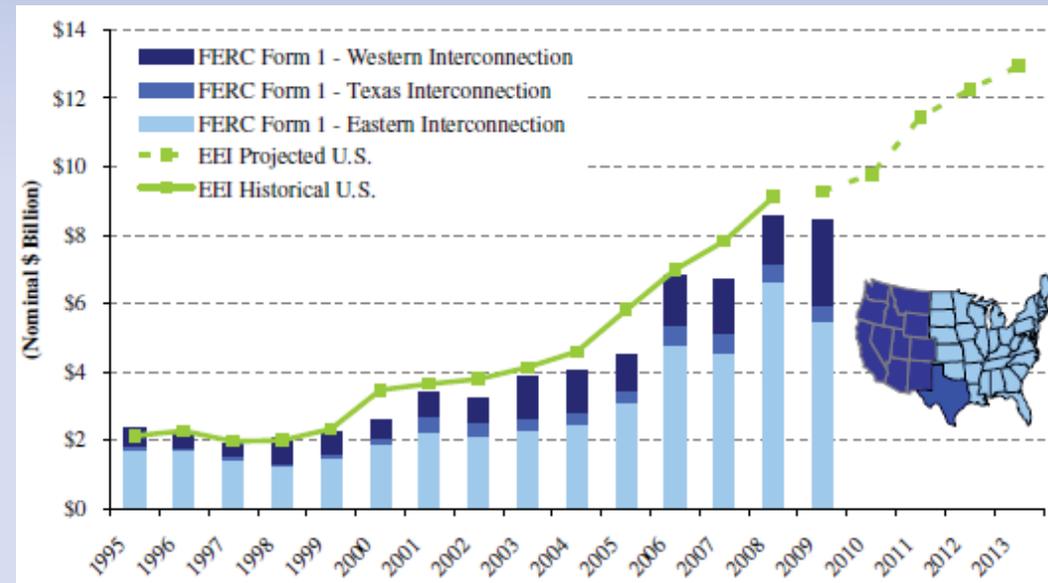
- Transmission spending is increasing 2x-3x historical levels
- Expect solid growth for at least the next several years

## Select U.S. Utility Transmission Spending Plans



Source: Utility company filings, Avondale Partners  
Data from select utilities with 2011 & 2012 forecasts

## Historical & Projected Transmission Investment by Investor Owned Entities



Source: WIRES in conjunction with The Brattle Group



# Economic Benefits: Reliability

# Improving Reliability of Electric Service

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Fewer interruptions of power delivery, and shorter interruptions mean:

- Improved quality of life
- Increased economic value
- Greater societal security and public safety

For the customers and communities the utility serves.

# Improving Reliability of Electric Service

---

*SAIFI – System Average Interruption Frequency Index*

*number of power interruptions the average customer experiences each year*

*SAIDI – System Average Interruption Duration Index*

*total time without power per year for the average customer, counting all interruption events*

Excluded statistics: sometimes reported as “Storm excluded” values in which the effects of major natural disasters (hurricanes, major floods) have been removed.

Both transmission and distribution outages contribute to both.

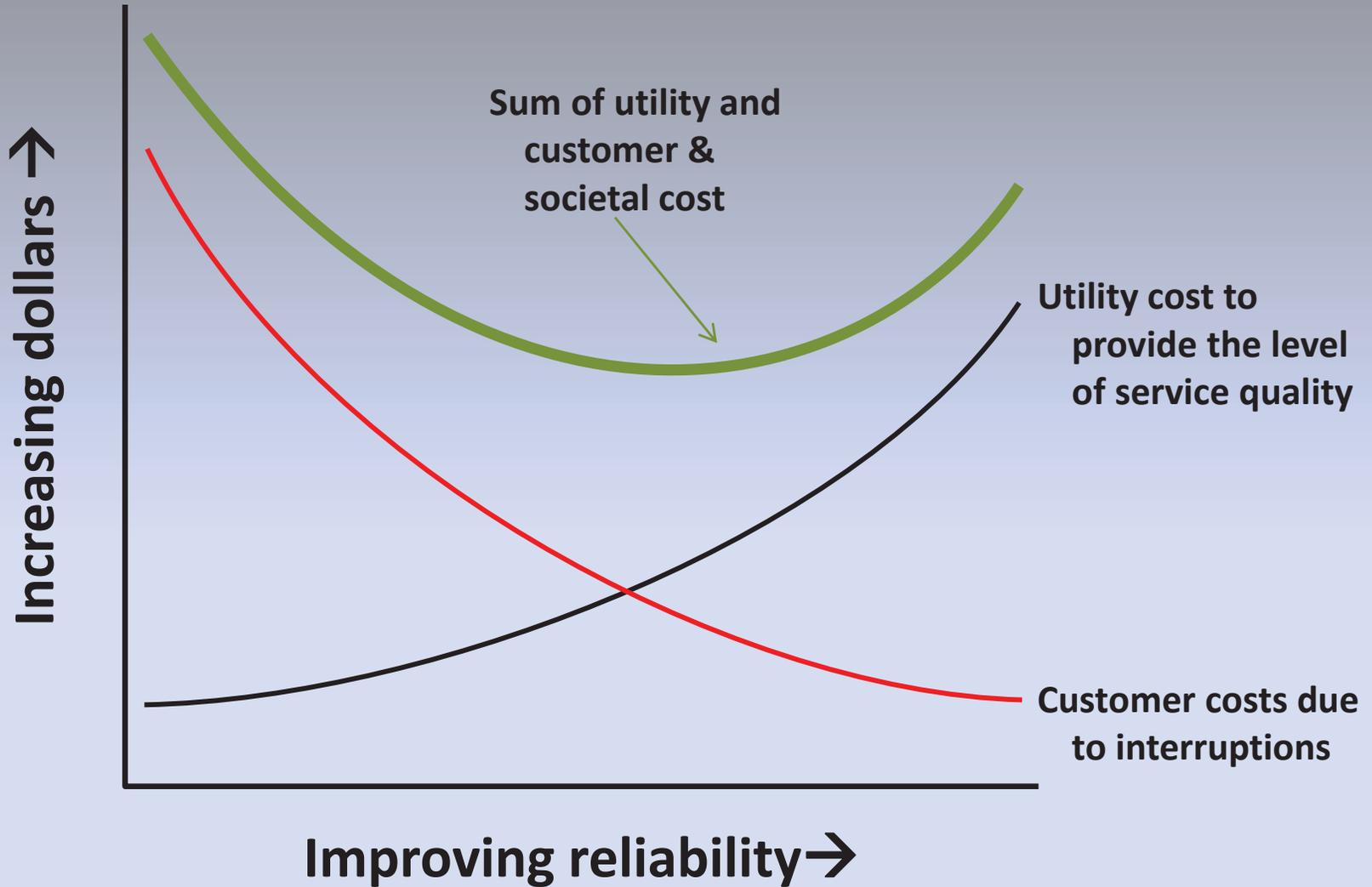
# Value-Based Planning of Reliability

SAIFI and SAIDI and similar reporting metrics treat all utility customers as the same:

- Farms
  - Your home
  - Factory with 700 employees
  - Hospital
  - Local police station
- } All count the same

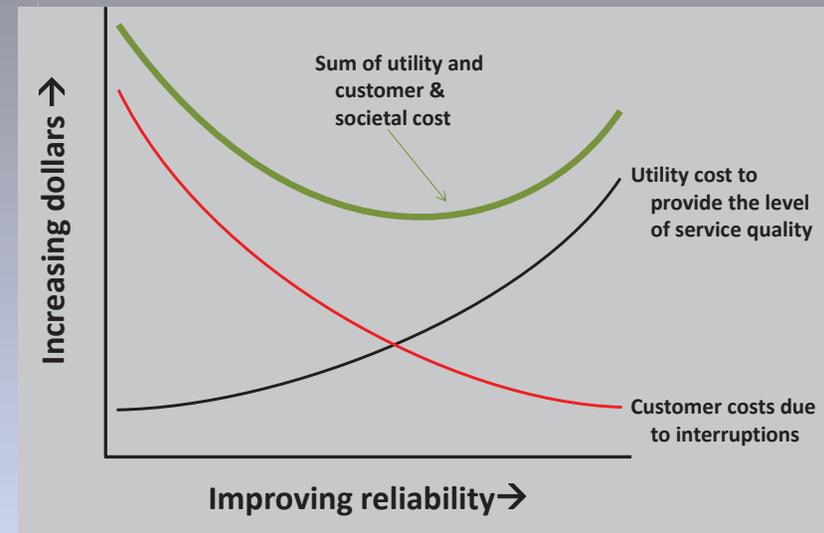
Planning of capital projects to improve reliability is normally done based on an compliance with **mandatory** standards & economic value assessment of the improved service that estimates value

# The concept is to balance value of better service against cost to provide it



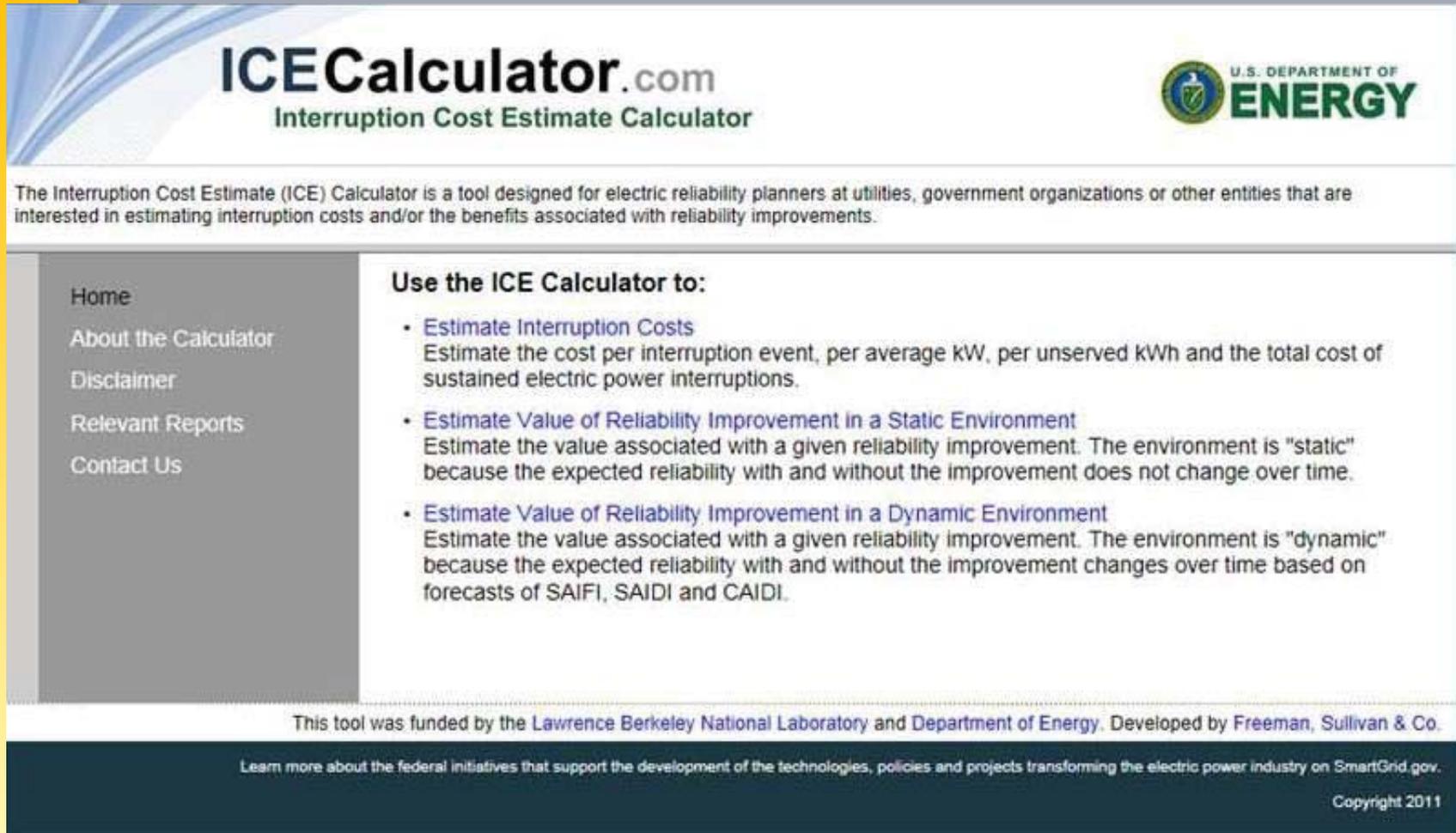
# Value-Based Planning of Reliability

- Utility cost is determined by utility planning and budgeting methods.
- Customer cost is determined by interruption cost analysis estimation.
  - Established body of credible approaches
  - Numerous academic publications
    - unproven
  - DOE's ICE (Interruption cost estimator) website
  - Quanta Technology (Willis: PDPRB) detailed estimator



# Department of Energy's ICE website

## ICE: Interruption Cost Estimator



**ICECalculator.com**  
Interruption Cost Estimate Calculator



The Interruption Cost Estimate (ICE) Calculator is a tool designed for electric reliability planners at utilities, government organizations or other entities that are interested in estimating interruption costs and/or the benefits associated with reliability improvements.

**Home**  
About the Calculator  
Disclaimer  
Relevant Reports  
Contact Us

**Use the ICE Calculator to:**

- **Estimate Interruption Costs**  
Estimate the cost per interruption event, per average kW, per unserved kWh and the total cost of sustained electric power interruptions.
- **Estimate Value of Reliability Improvement in a Static Environment**  
Estimate the value associated with a given reliability improvement. The environment is "static" because the expected reliability with and without the improvement does not change over time.
- **Estimate Value of Reliability Improvement in a Dynamic Environment**  
Estimate the value associated with a given reliability improvement. The environment is "dynamic" because the expected reliability with and without the improvement changes over time based on forecasts of SAIFI, SAIDI and CAIDI.

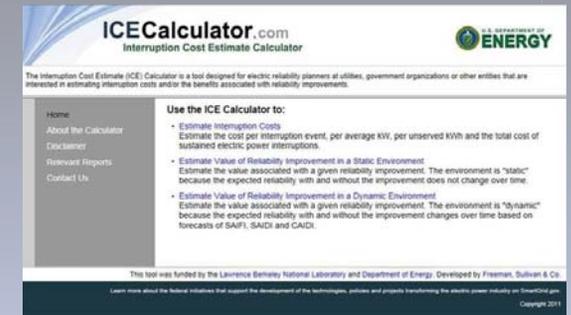
This tool was funded by the Lawrence Berkeley National Laboratory and Department of Energy. Developed by Freeman, Sullivan & Co.

Learn more about the federal initiatives that support the development of the technologies, policies and projects transforming the electric power industry on [SmartGrid.gov](http://SmartGrid.gov).

Copyright 2011

# DOE's ICE

- Uses a good, transparent, and credible methodology to estimate economic impact of SAIFI, SAIDI, and benefits of changes thereto.
- Includes embedded Federal statistical database on population and business activity by state.
- Provides quick estimates using this generic state by state data.
- Provides more detailed estimates if you supply several optional sets of information on service area customer types and counts and economic activity.



# DOE's ICE

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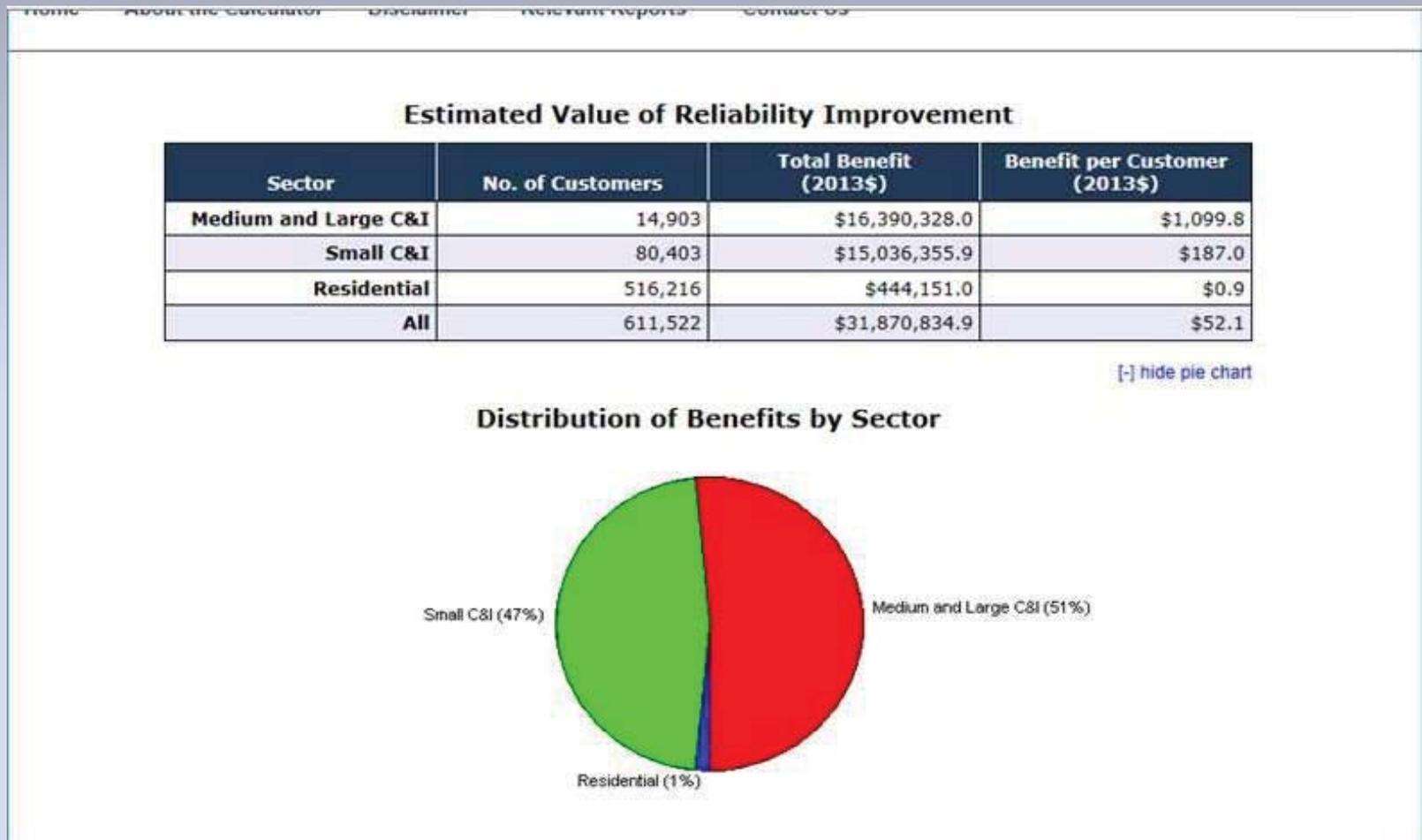
## Not perfect:

- Weights business and employment costs heavily
- Uses very low values for residential impact
- Focuses on customer-level impact types:
  - Does not consider additional societal costs of widespread and rare but long storm and natural disaster outages.
  - Transmission outages are much more prone to lead to these types of outages.
- Does not consider that reliability needs increase over time

Overall: a very good one-size-fits-all screening model.

# Very Preliminary, Rough Estimate

DOE Ice: \$32 to \$35 million present worth per 1 Minute Improvement



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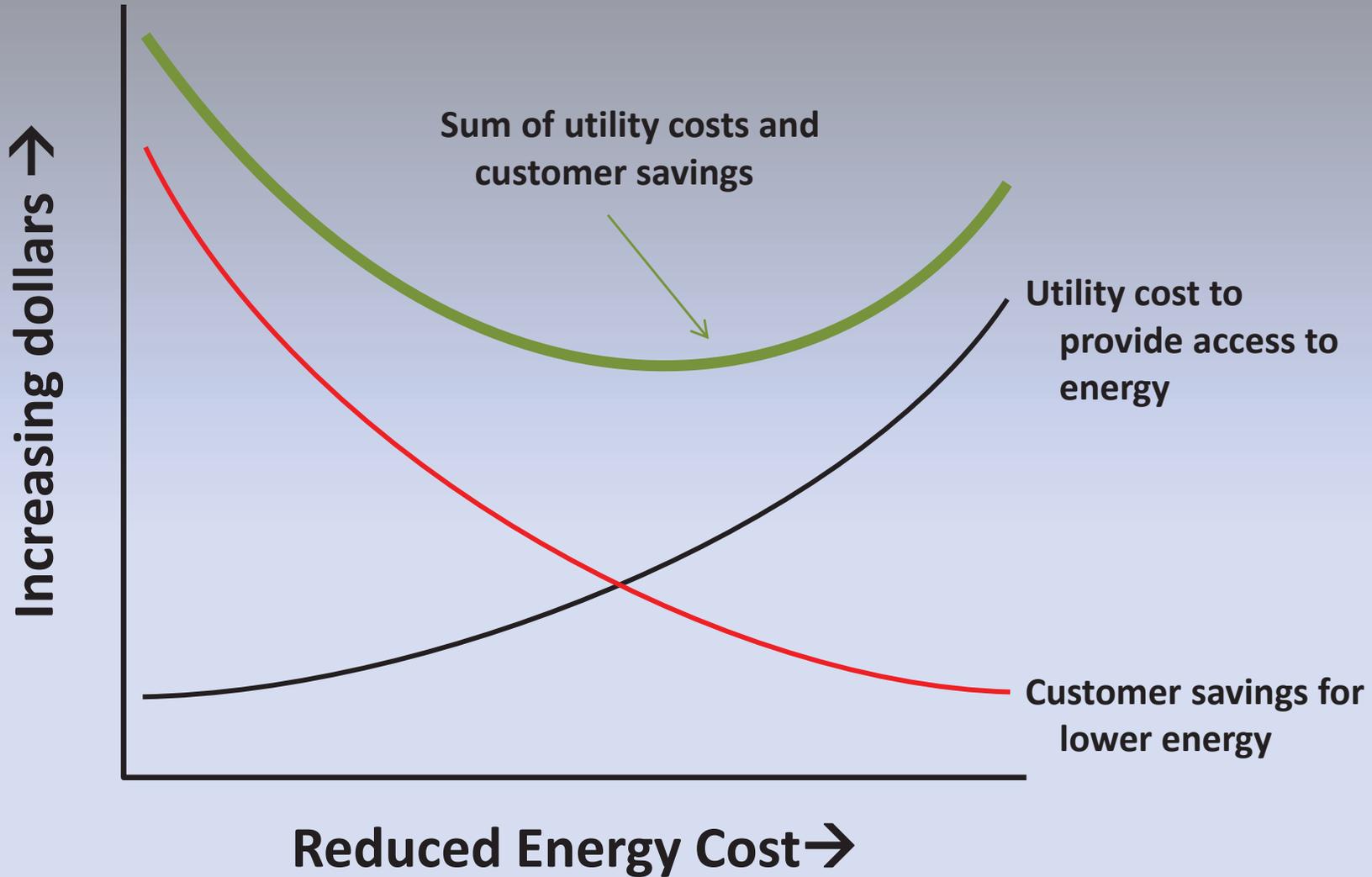
# Economic Benefits: Market Access



# What are Energy Markets?

- Trading of surplus energy between utilities
- Procurement of energy by load serving entities from energy suppliers
- May be
  - Bilateral
    - Negotiated privately between 2 parties
  - LMP Market (FERC Standard Market Design)
    - Transparent, visible & monitored
    - Locational pricing
    - Many buyers/many sellers
- Pricing is “market based” – no cap on the price!
  - Subject to the laws of supply and demand
    - Bilateral: Whatever can be negotiated
    - Day 2 Market: Clearing price via automated system

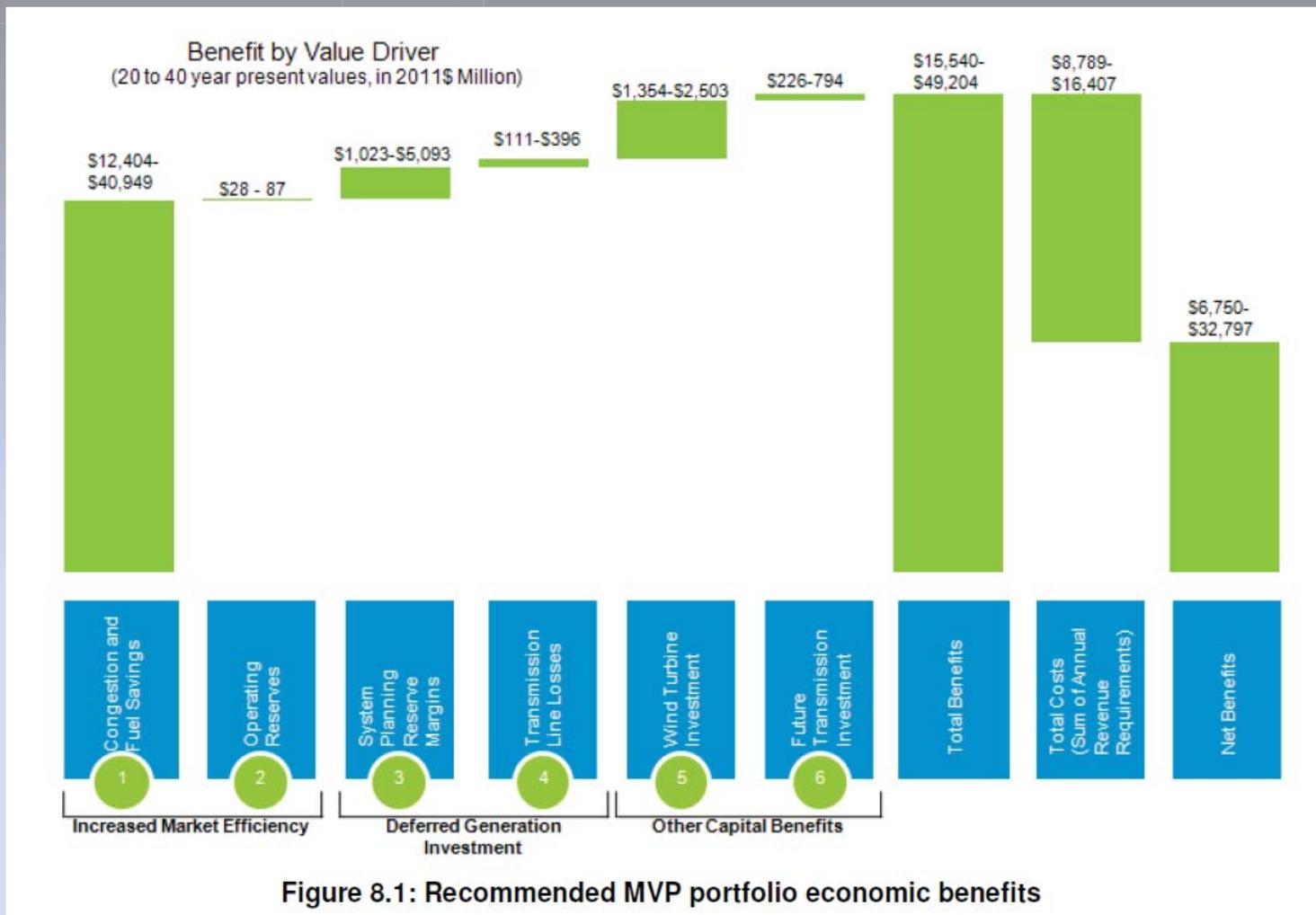
# Key is to balance value of lower energy cost against cost to provide it



# Impact of Transmission on Markets

- Supports ALL types of generation
  - Gas
  - Coal
  - Nuclear
  - Renewables
- Reduces flow on key, constrained transmission lines
- Connects customers to new generation sources
- Introduces competition between suppliers
- Allows customers to buy from new markets
- Allows retirement of older, less efficient facilities
- Reduces losses, which is wasted energy “lost” through heating up transmission equipment

# Example



Source: MISO MVP Report January 10, 2012



# Economic Benefits: Enabled Opportunities



# Enabling Other Opportunities

- Similar to highways, water, sewer, gas, airports, etc.
- Expansion of infrastructure:
  - Enables new, more efficient energy sources
  - Supports expansion of environmentally friendly energy supply
  - Growth of business opportunities
  - Supports community development and growth

# Case Study: Utility in Southern US

- Rural operating region of about 300,000 pop.
- Several carpet fiber and manufacturing plants were the economic basis for region's prosperity.
- Combination of increasing load and aging local transmission ad led, over time, to gradually worsening SAIFI and SAIDI throughout region.
- Increasing employment and production at factories, more use of robotics and automation, had increased need for reliability over time and sensitivity to interruptions.
- Situation had "become untenable" to employers.



# Case Study: Utility in Southern US

- Used Reliability Value Based Methods to Analyze Situation.
- Determined the residential, industrial, and value and benefits increased reliability.
- Tailored system enhancements to *target these impacts specifically*.
- Justified an \$84 million, two-year capital enhancement program for the region's 230, 138, and 69 kV system.
- Provided an estimated \$111 million in total value increase
- Impact was actually greater: got that improvement, plus
- Enhancements not only "solved problem" but led to local industry expansion, adding to regions economic growth.





# Regulatory Climate & Customer Representation



# Regulatory Process

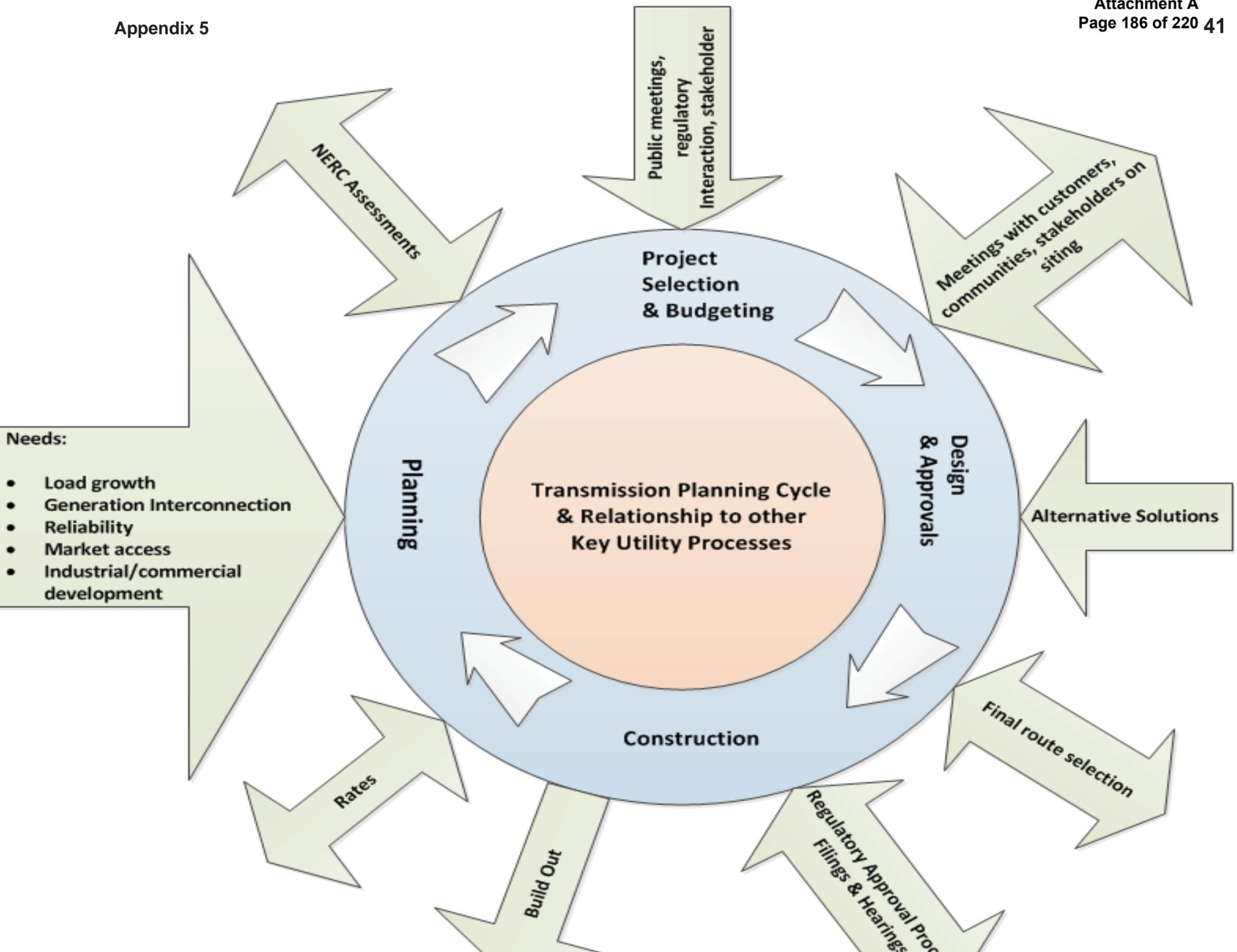
- Federal Government (FERC) regulates rates
- States and Local Government regulate siting
- FERC Order 890 (2/16/07) codified eight planning principles:
  1. Coordination
  2. Openness
  3. Transparency
  4. Information Exchange
  5. Comparability
  6. Dispute Resolution
  7. Regional Participation
  8. Congestion Studies

# FERC's Latest Policy - Order 1000

- Focuses on improving transmission planning processes
- Requires cost allocation to those who benefit from the transmission
  1. Those who benefit, pay
  2. Those who don't benefit, don't pay
  3. Cost thresholds should be reasonable
  4. Cost should stay within a region unless there is an agreement otherwise
  5. Cost allocation must be transparent & documented
  6. Different allocation methods can exist for different types of projects
- Aligns transmission planning processes & cost allocation

# Customers have voice

- **IPL Represents customers in the ITC Process:**
  - Impacted stakeholders for transmission analysis to define needs, help set assumptions and determine alternatives
  - Interconnection customers to help them better understand and navigate the MISO queue process.
  - Neighboring system owners to minimize impacts caused by ITCMW upgrades needed to connect new generation to the MISO system
  - Neighboring Transmission Owners in developing solutions for mitigation of constraints on ITCMW's system when neighboring utilities may be impacted
  - Local Balancing Authority to incorporate LBA needs into the interconnection agreement and coordinate communication between the LBA and the interconnection customer
  - Stakeholders together prior to commencement of project construction to address stakeholder needs/concerns and to coordinate efforts
  - MISO to identify need for upgrades of neighboring systems' equipment due to interconnection of new generating facilities to the MISO footprint



# Summary

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- Transmission development & expansion is occurring across the US & Canada – its not just ITC
- Encouraging establishment of and facilitating access to energy markets has been – **and continues to be** - an objective of the US Federal Government
- Economic benefits from transmission investment are from:
  - Reliability improvements
  - Access to markets
  - Other enabled opportunities
  - These benefits are additive
- These processes are open and stakeholders can participate in these processes to help define the need and shape the outcome

# Thank You

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## Questions?

[www.quanta-technology.com](http://www.quanta-technology.com)



# Transmission and Overall Rates

**Anne Lenzen**

Manager – Regulatory Affairs

Alliant Energy – IPL

# Pricing Update

Anne Lenzen

Manager – Regulatory Affairs

Alliant Energy – IPL

# Pricing Update

## What makes up an industrial customer bill?

### Base Rates

- Change in rate cases or due to energy efficiency

### Energy Efficiency

- Change annually, each April 1, and embedded with base rates
- Plans approved by Iowa Utilities Board every five years

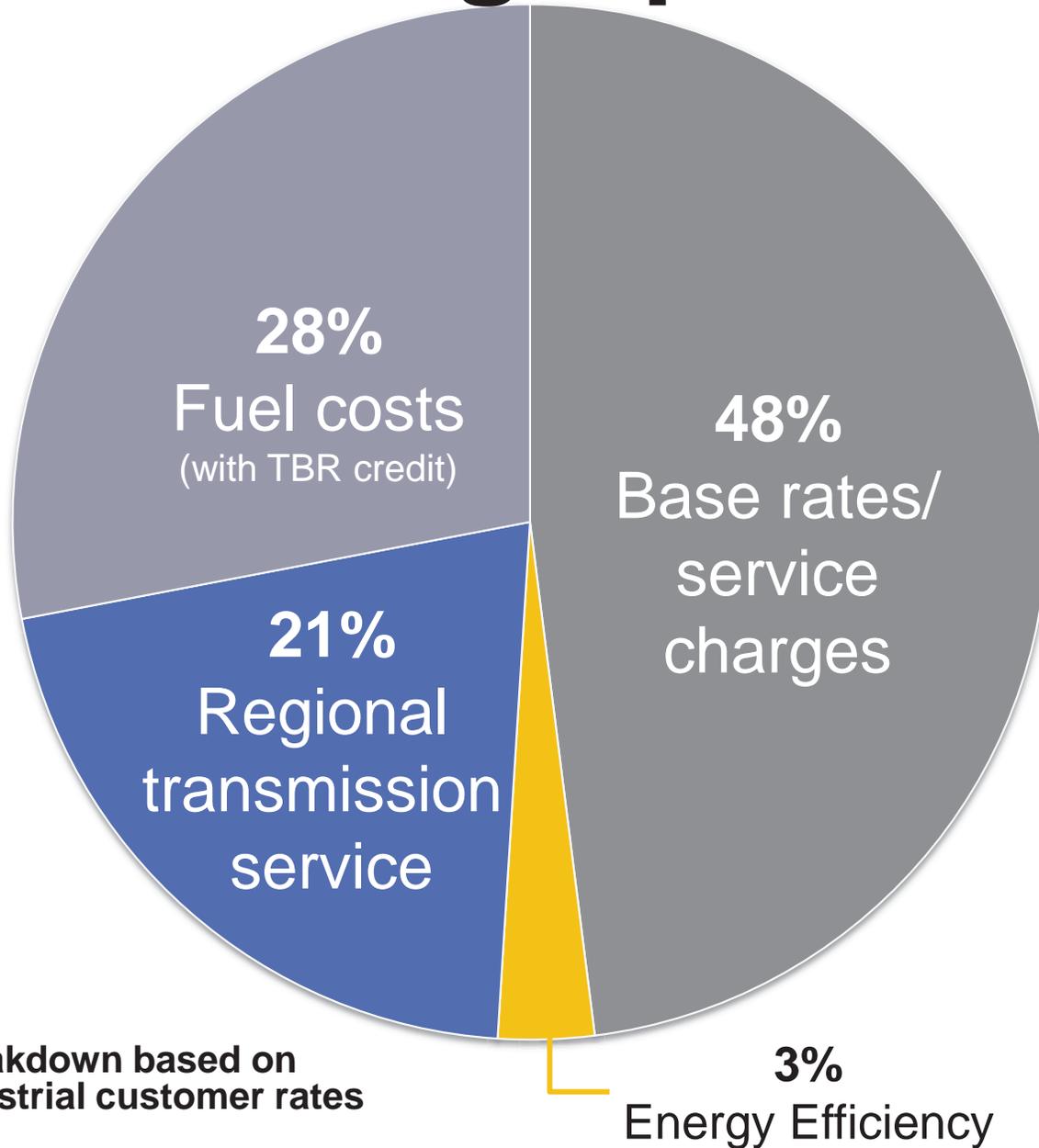
### Fuel Cost Factor

- Change Monthly
- TBR Credit
  - Temporary (\$200 Million remaining)
  - Change annually, each January 1

### Transmission

- Change annually, each January 1
- Based on ITC Midwest FERC rates and MISO charges
- Includes prior year true ups

# Pricing Update



Estimated IPL bill breakdown based on average 2013 IPL industrial customer rates

# Pricing Update

## Now and looking forward to 2014

- Industrial Prices Competitive
  - Consistently at or below regional and national levels
- 2013 energy prices similar to 2010
- Future state of pricing (2014)
  - Base Rates (flat)
    - No change in 2014
    - New (Environmental) investments offset reduction in current DAEC PPA capacity charges
    - Committed to settling on rate stabilization plan or filing a rate case
  - Fuel Cost Factor (expected increase)
    - Future market energy prices may change
    - New DAEC PPA impact
    - Additional tax credits for customers
  - Transmission (expected increase)
    - Final transmission costs will be known in September

# Pricing Update

## Next steps

- Pricing for individual customers will vary
  - based on unique circumstances
  - demand and usage characteristics
- IPL will provide individual pricing outlooks upon request
  - Contact your Key Account Manager
- September Pricing webinar planned with specifics around 2014 price outlook

# Recent Transmission Activity

- ITCM filing Jan. 31 to IUB in response to IPL's Dec. 2012 Semi-Annual Transmission Report.
  - One item was IPL's opposition to some ITCM MTEP 13 projects
    - IPL opposed certain 69kV projects due to a lack of information regarding priority
    - IPL also took issue with a multi-year approach to capital maintenance dollars and shared concerns regarding the level of funding for such work

Prior to meeting with ITCM			Following meeting with ITCM		
		Summary of Costs			Summary of Costs
	Total	\$ 250,347,978		Total	\$ 233,247,978
	Support	\$ 91,871,000		Support	\$ 150,086,000
	Oppose	\$ 147,665,000		Oppose	\$ 72,350,000
	No opinion	\$ 10,811,978		No opinion	\$ 10,811,978

- Update:
  - IPL has since met with ITCM, ITCM has provided additional documentation and IPL now supports all 69kV projects.
  - IPL continues to work with ITCM on the capital maintenance project concerns.
  - IPL continues to work with ITCM to coordinate transmission and distribution work to maximize reliability improvements and minimize each others' costs

# Transmission Policy / Regulatory Update

**Eric Guelker**

Director – Transmission Policy & Strategy

Alliant Energy

# Transmission Policy

## Federal Energy Regulatory Commission (FERC)

Primary regulatory agency that *develops and oversees* transmission policy

## Midcontinent Independent System Operator (MISO)

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

## ITC Midwest

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

### Key Aspects of Transmission Policy

Federal & state energy policy objectives

Regional transmission planning & projects

Transmission infrastructure development & modernization

Transmission costs & cost allocation

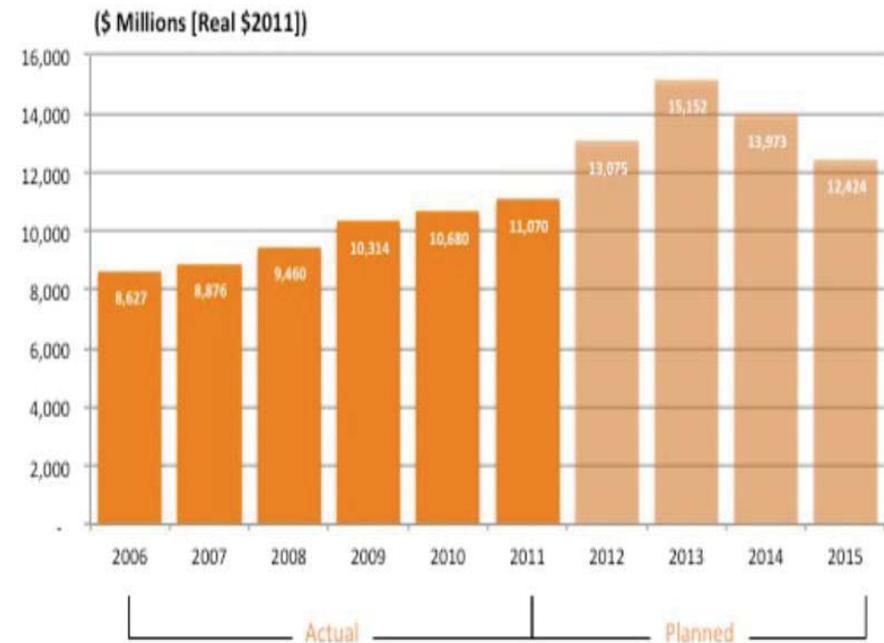
IPL has and will continue to engage in transmission policy to advocate for IPL customers with ITC Midwest, MISO and FERC.

# Transmission Investment

## *A National Priority*

- Energy Policy Act of 2005 directed FERC to:
  - facilitate transmission facility planning and expansion
  - promote transmission investment using financial incentives
  - ensure timely and coordinated transmission facility review and permitting

Total EEI Member Annual Transmission Investment



SOURCE: Edison Electric Institute (EEI) *Transmission Projects: At A Glance* March 2013 report  
<http://www.eei.org/ourissues/ElectricityTransmission/Pages/TransmissionProjectsAt.aspx>

Annual investment has increased about 5% per year from 2006 to 2011.

# Transmission Policy

## *Areas of Focus*

### Current

- Insuring regional and federal policy allows for meaningful customer participation
- Expanding participation in regional and inter-regional planning
- Introducing competition to project development

### Emerging

- Examining potential changes to investment return on equity (ROE)
- Insuring generators have fair and reasonable interconnection terms and conditions

# Regulatory Update

Issue	FERC Action	IPL Action	Outcome	Next Steps	Impact
MISO Transmission Formula Rates (EL12-35)	<i>May 2012:</i> Opened investigation. Areas of concern included: scope of participation, transparency of the information and ability to challenge	<i>June 2012:</i> Filed comments supporting investigation and suggesting improvements in the areas of concern	<i>May 2013:</i> FERC issued order stating formula rate protocols insufficient and identified needed changes	<i>By July 15, 2013:</i> MISO and transmission owners file revised protocols	TBD
FERC Audit of ITC Holdings (PA10-13)	<i>November 2009:</i> Initiated audit. <i>December 2011:</i> Hearing initiated. Identified improperly recovered sale-related costs.	<i>February 2012 :</i> Filed comments supporting FERC findings and stated that conflict “must be resolved in favor of customers”	<i>January 2013:</i> FERC accepted ITC’s compliance plan	N/A	\$2.6 million refund applied to 2014 rates
ITC Midwest Attachment FF (EL12-104)	TBD	<i>September 2012:</i> Filed complaint against ITC Midwest requesting Attachment FF change to require generators to pay transmission network upgrade costs	TBD	TBD	Est. \$140 million IPL customer cost (2012-2016)
ITC - Entergy Transaction (EC12-145)	TBD	<i>December 2012:</i> Filed comments noting concerns including cost allocation across ITC companies, impact to ITC Midwest rates and potential diversion of management attention from ITC Midwest	TBD	TBD	TBD

# MISO Transmission Formula Rates

## *IPL Comments vs. FERC Order*

### **IPL Comments request:**

- *More transparency in transmission costs make-up and drivers*
- More supporting evidence that benefits associated with transmission cost increases are quantified and commensurate with costs
- *Better way to effectively challenge costs or voice concerns*

### **Specific items IPL requested to include in rate protocols:**

- *Additional detail and analysis on transmission costs and benefits*
- *Right to make reasonable document and data requests*
- Providing a 5 year rate forecast
- *Better challenge procedures*

Items in blue were included in IPL comments and addressed favorably for IPL in FERC's Order. IPL continues to advocate for IPL customers and it is producing tangible beneficial outcomes.

# ITC Midwest Update

**Doug Collins**

President

ITC Midwest

Alliant Energy  
Industrial Customer Meeting  
*June 3, 2013*

# ITC Midwest Update

**Doug Collins**  
President, ITC Midwest



# Safe Harbor Language & Legal Disclosure

## ITC Forward-Looking Information

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 most recent Annual Report on Form 10-K and any subsequent 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 prospectus included in the registration statement on Form S-4 that was filed by ITC with the SEC in connection with the proposed transactions): (i) risks inherent in the contemplated transaction, including: (A) failure to obtain regulatory approvals necessary to consummate the transaction or to obtain regulatory approvals on favorable terms; (B) the ability to obtain the required financings; (C) delays in consummating the transaction or the failure to consummate the transactions; and (D) 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 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

## Additional Information and Where to Find It

ITC filed a registration statement on Form S-4 (Registration No. 333-184073) with the SEC registering the offer and sale of shares of ITC common stock to be issued to Entergy shareholders in connection with the proposed transactions. This registration statement was declared effective by the SEC on February 25, 2013. ITC shareholders are urged to read the prospectus included in the ITC registration statement and any other relevant documents because they contain important information about TransCo and the proposed transactions. In addition, TransCo will file a registration statement with the SEC registering the offer and sale of TransCo common units to be issued to Entergy shareholders in connection with the proposed transactions. Entergy shareholders are urged to read the prospectus included in the ITC registration statement and the 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. The registration statements, prospectuses 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-ENTERGY (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.



# Safe Harbor Language & Legal Disclosure

## Entergy Forward-Looking Information

In this communication, and from time to time, Entergy makes certain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Except to the extent required by the federal securities laws, Entergy undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. Forward-looking statements involve a number of risks and uncertainties. There are factors that could cause actual results to differ materially from those expressed or implied in the forward-looking statements, including (i) those factors discussed in Entergy’s most recent Annual Report on Form 10-K , any subsequent Quarterly Reports on Form 10-Q , and other filings made by Entergy with the SEC; (ii) the following transactional factors (in addition to others described elsewhere in this communication, in the prospectus included in the registration statement on Form S-4 that was filed by ITC with the SEC in connection with the proposed transactions) involving risks inherent in the contemplated transaction, including: (1) failure of Entergy and its shareholders to recognize the expected benefits of the transaction, (2) failure to obtain regulatory approvals necessary to consummate the transaction or to obtain regulatory approvals on favorable terms, (3) the ability of Entergy, Mid South TransCo LLC (“TransCo”) and ITC to obtain the required financings, (4) delays in consummating the transaction or the failure to consummate the transaction, (5) exceeding the expected costs of the transaction, and (6) the failure to receive an IRS ruling approving the tax-free status of the transaction; (iii) legislative and regulatory actions; and (iv) conditions of the capital markets during the periods covered by the forward-looking statements. The transaction is subject to certain conditions precedent, including regulatory approvals and the availability of financing. Entergy cannot provide any assurance that the transaction or any of the proposed transactions related thereto will be completed, nor can it give assurances as to the terms on which such transactions will be consummated.

# Marking 10 Years of ITC and Five Years of ITC Midwest

***Proud of our  
record of  
accomplishments,  
working to  
accomplish  
even more  
in the  
years ahead!***



# Marking 10 Years of ITC and Five Years of ITC Midwest

## Status of regulatory commitments made at the time of ITC Midwest transaction

- Upgrade Arnold-Vinton line
  - Completed in 2009
- Build Salem-Hazleton line
  - Completed in late April
- Rebuild 34.5 kV System
  - Work under way on revised schedule; approximately 173 miles rebuilt
- Improve Reliability
  - Significant progress has been made – work is ongoing



# Project Update

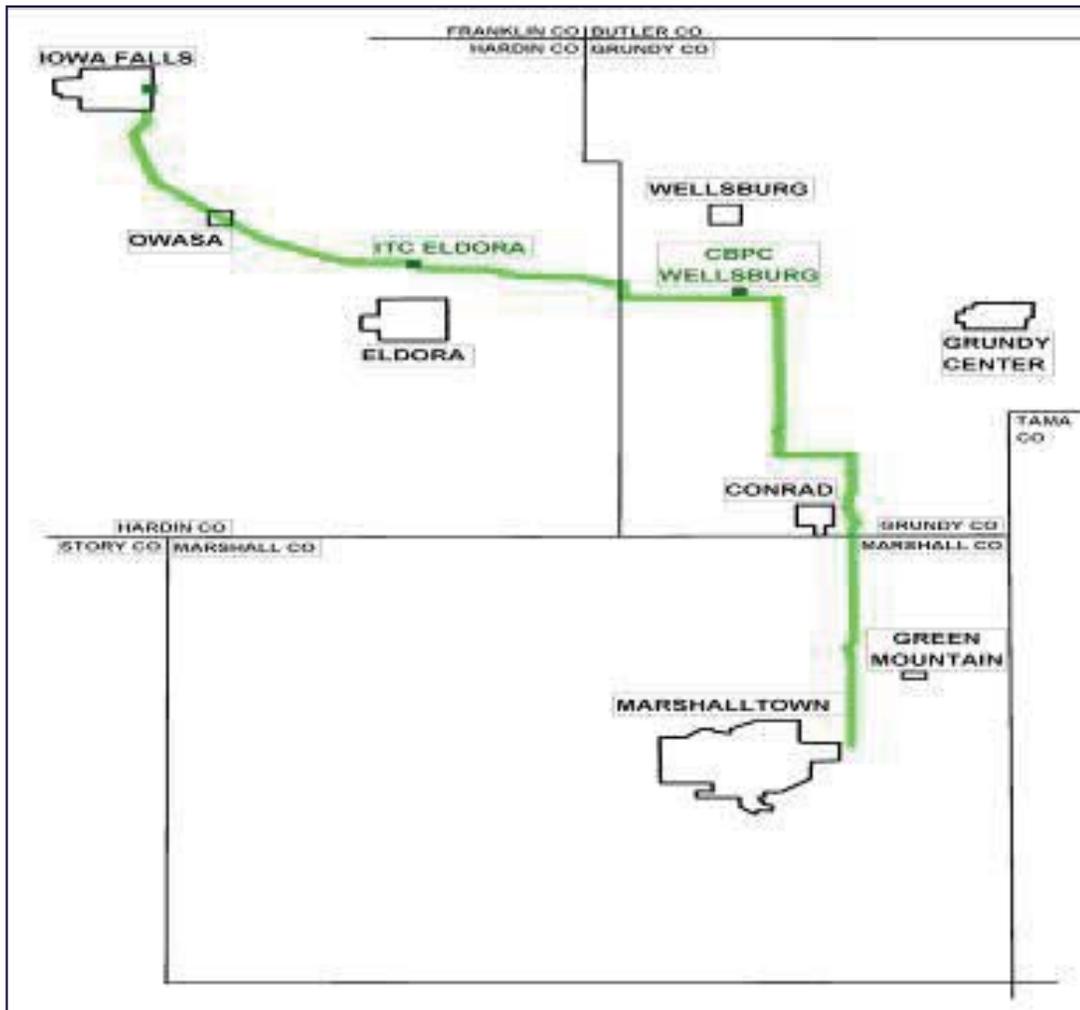
## Salem-Hazleton 345 kV Line



- **Description:** New 80-mile line of 345 kV, double circuited with existing 161 kV for portion of line.
- **Status:**  
**ENERGIZED**  
**END OF APRIL**

# Project Update

## Nuthatch to Marshalltown



**Description:** Rebuild approximately 50 miles of 115 kV line to 161 kV standards.

**Drivers:** Existing 115 kV lines are old and in poor condition. Existing capacity is insufficient to transport energy from new generation.

**Status:**

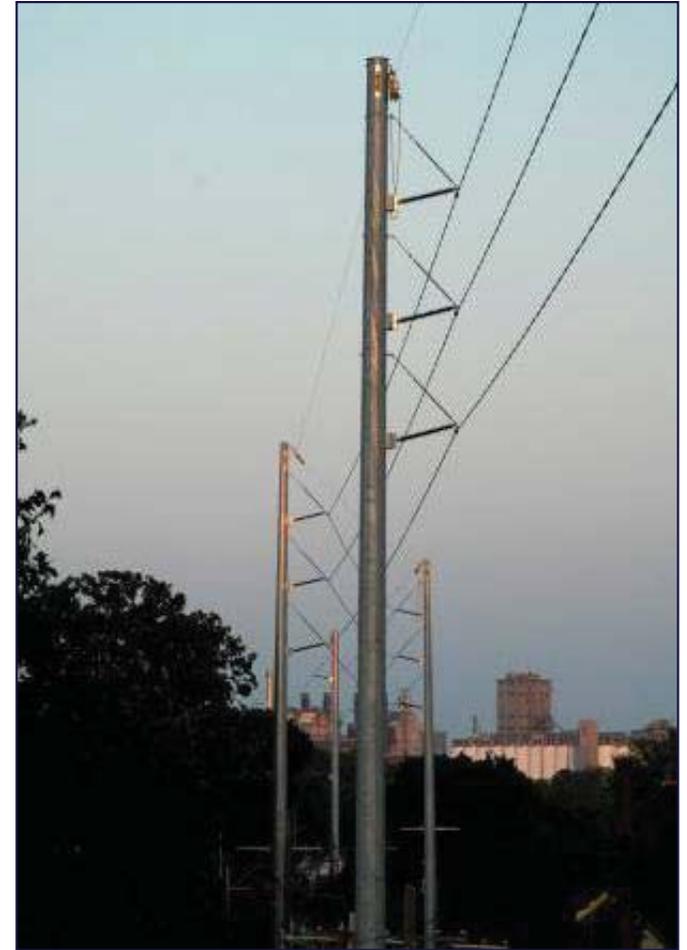
**COMPLETE**



# Project Update

## Cedar Rapids Reliability Project

- **Completion of last segment in March created a reliability loop for core of Cedar Rapids**
- Close coordination with Alliant Energy – Interstate Power & Light to energize River Run and Downtown Industrial substations
  - First line connecting Sixth Street and Downtown Industrial subs to Beverly sub in service December 2010
  - Second line connecting Prairie Creek Industrial sub to River Run completed in December and River Run energized February 16, 2012
  - Third line connected two new substations for critical reliability, redundancy link



# Project Update Hiawatha to Coffey

**Description:** New 10-mile 161 kV line between the proposed Coffey Substation and the existing Hiawatha substation.

**Drivers:** Needed to ensure reliability in the fast growing area north of Cedar Rapids.

## Status:

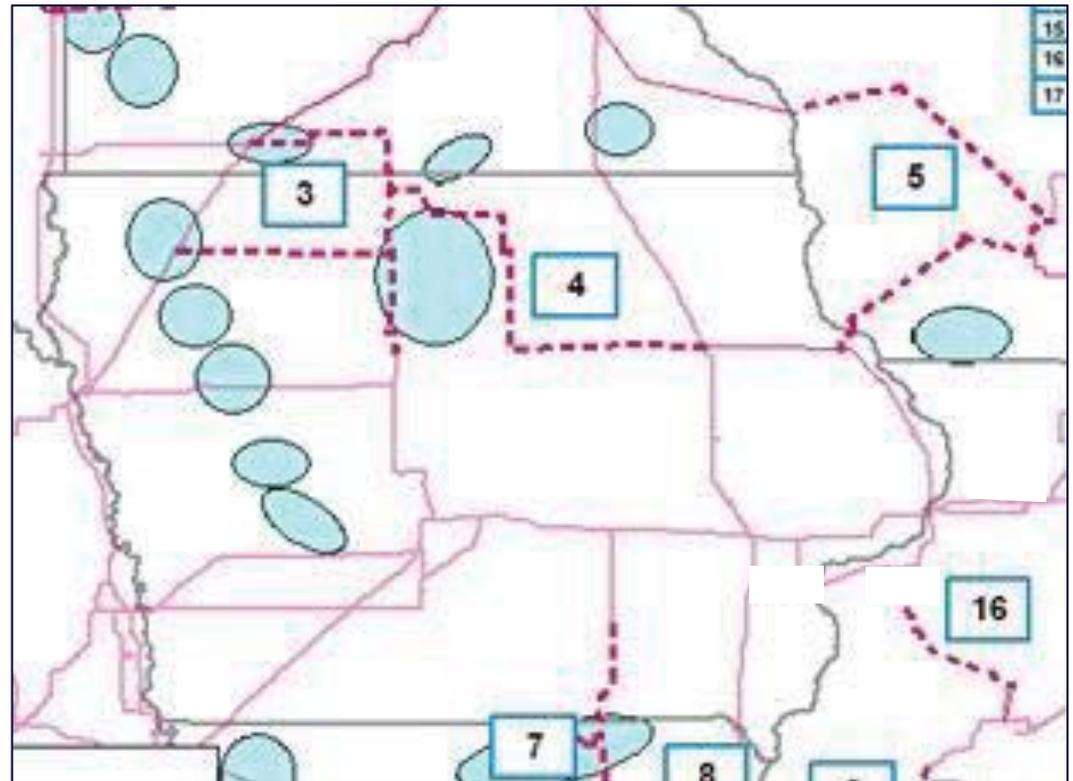
- 1) IUB Franchise Received
- 2) Design Complete
- 3) Under Construction





# MVP Projects 5 and 7

- Projects have been studied by MISO and designated “Multi-Value Projects” with costs shared across the MISO territory of 11 states.
- ITC also discussing projects 5 and 7 with ATC and MidAmerican/Ameren



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



# ITC/Entergy Transaction



## *Entergy Transmission Business*

<b>System Peak Load</b>	26,100 MW	28,000 MW
<b>Area</b>	Seven states	Five states*
<b>Total Transmission Miles</b>	15,000 miles	15,400 miles
<b>Service Area Square Miles</b>	89,850	114,669
<b>RTO Membership</b>	MISO/SPP	MISO market integration by 12/2013

\* Entergy owns limited assets in Missouri



# ITC/Entergy Transaction

Targeted to close in 2013, subject to the following approvals:

Authority	Requirement	Filed	Approved
Louisiana PSC	<ul style="list-style-type: none"> <li>Change of control of transmission assets</li> </ul>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
New Orleans City Council		<input checked="" type="checkbox"/>	<input type="checkbox"/>
Arkansas PSC		<input checked="" type="checkbox"/>	<input type="checkbox"/>
Mississippi PSC		<input checked="" type="checkbox"/>	<input type="checkbox"/>
Texas PUC		<input checked="" type="checkbox"/>	<input type="checkbox"/>
Missouri PSC		<input checked="" type="checkbox"/>	<input type="checkbox"/>
FERC	<ul style="list-style-type: none"> <li>Change of control of transmission assets</li> <li>Establish rate for new ITC subsidiaries</li> <li>Authorization for operating company financings</li> </ul>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Hart-Scott-Rodino Act (DOJ / FTC)	<ul style="list-style-type: none"> <li>Pre-merger notification to review potential antitrust and competition issues</li> </ul>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
U.S. Nuclear Regulatory Commission (NRC) License Approval	<ul style="list-style-type: none"> <li>Approval of transfer of control of existing NRC nuclear facility licenses owned by Entergy utility operating companies</li> </ul>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
IRS Private Letter Ruling	<ul style="list-style-type: none"> <li>Ruling regarding tax-free treatment of the Transaction</li> </ul>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
ITC Shareholders	<ul style="list-style-type: none"> <li>Merger</li> <li>Amendment to ITC Articles of Incorporation to increase the number of authorized shares</li> <li>Authorization for issuance of greater than 20% of outstanding shares</li> </ul>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

# Questions?

# Upcoming Transmission Activities

- **June 1**- ITCM posts Attachment O true-up from 2012, to be applied to 2014 rate. IPL analyzes.
- **June 30** - IPL Semiannual Transmission Report due to IUB.
- **September - October** - ITCM Attachment O transmission rate for 2014 posted. IPL analyzes. Preliminary IPL 2014 rate projections for customers. ITCM Partners in Business meetings.
- **November** - IPL Transmission Stakeholder meeting. IPL reconciles 2013 RTS Factor balance.
- **December** - RTS Factors filed with IUB for approval.
- **December 31** - IPL Semiannual Transmission Report due to Iowa Utilities Board.
- **January 2014** - RTS Factors in effect.

# Questions?

# Who to contact at Alliant Energy?

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

Presentation and survey link will be sent to attendees.

Thank you and please travel safely!