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December 20, 2013

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

**FILED WITH
Executive Secretary
December 20, 2013
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 *Final Decision and Order* issued January 10, 2011, enclosed please find Interstate Power and Light Company's semi-annual report of its transmission-related activities in the above-referenced docket, as filed today on EFS.

Very truly yours,

/s/ 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 20, 2013
IOWA UTILITIES BOARD

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

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Executive Summary

Interstate Power and Light Company (IPL) continues managing the processes and relationship with ITC Midwest, LLC (ITC-M), influencing transmission benefits, service levels and cost impacts to IPL customers. This Report focuses on the most significant new and continued issues, actions, and results since the last Report filed with the Iowa Utilities Board (Board) on June 28, 2013 (June 2013 Report).

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

Two highlights discussed since the June 2013 Report are:

- **The July 18, 2013 Federal Energy Regulatory Commission (FERC) order granting IPL’s complaint against the ITC-M Attachment FF policy on generator interconnections. IPL views this as a significant positive result achieved by IPL in the interest of IPL customers. Earlier estimates indicated as much as \$140 million IPL customer cost savings from 2012-2016 were possible.**
- **Estimation of outage cost savings. Working with ITC-M, IPL has found in the first few years of ITC-M ownership and operation of the transmission system, the estimated outage cost savings to customers over the life of the assets are likely in the range of \$168-498 million, 2013 \$.**

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

1. ITC-M Relationship Management

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

As reflected in the June 2013 Report, in early 2013 changes in Alliant Energy and IPL executive staffing occurred, of which the most notable were:

- Linda Mattes, Vice President of Energy Delivery Operations assumed the executive responsibility of the ITC-M relationship.
- Randy Bauer, Director – System Planning; reporting to Ms. Mattes, assumed responsibility for distribution planning and coordination with ITC-M involving transmission planning and operations.
- Krista Tanner, Director – Regulatory Policy reporting to Joel Schmidt, Vice President of Regulatory Affairs.
- Eric Guelker, Director – Regional and Federal Policy; reporting to Ms. Tanner, leads various regulatory issue, policy, and advocacy activities, including those involving transmission.

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

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

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

A summary of *ITC-M initiated* dockets IPL has reviewed since June 16, 2013, and the formal action IPL has taken in those dockets, if any, is listed in Table 1.

Table 1 - Summary of New ITC-M Dockets in State Jurisdictions Reviewed by IPL and Actions Taken
June 16 – December 13, 2013

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	19	18	1	0	0

Supported generally means the filings are for projects IPL views in the best interests of IPL customers, such as franchise renewals, rebuilt facilities, certain new facilities, North American Electric Reliability Corporation (NERC) compliance, or the MISO Multi Value Portfolio.

No Action generally applies to filings of no consequence to IPL customers.

Objected to or With Comments generally applies to projects unnecessary for IPL customer reliability or inappropriate cost allocations to IPL customers.

3. Transmission Regulatory Activity, IPL Engagement

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

A. FERC Investigation into MISO Attachment O

FERC previously initiated an investigation of the MISO formula rate protocols, noting concerns of:

- 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.
- On May 16, 2013 FERC issued an order which found that MISO’s and individual company formula rate protocols are insufficient. Many of the concerns of IPL and other parties *appeared* to be recognized and addressed. FERC directed MISO and the impacted transmission owners (TOs), which includes ITC-M, to make certain changes to their formula rate protocols.

Updated Results:

- **IPL provided verbal suggestions to ITC-M in early August regarding additional information IPL would find helpful in ITC-M’s projected**

Attachment O rate presentations, including more detail on Administrative and General (A&G) and Operations and Maintenance (O&M) costs, correlation of projects to the annual MISO Transmission Expansion Plan (MTEP) and more breakout of capital on multi-year projects.

- MISO and the TOs, including ITC-M, collaborated on their compliance filing and filed at FERC on September 13, 2013. In their filing, MISO and the TOs highlighted among other provisions:
 - Revisions to be effective January 1, 2014.
 - Definitive timelines for interested parties and TOs to have Information Exchanges, Informal Challenges, and Formal Challenges to TOs' annual net revenue requirement and True-Up Adjustments.
 - Annual informational filings to FERC on rate accuracy, basis and reasonableness.
- On October 18, 2013 Alliant Energy Corporate Services, Inc. (AECS) on behalf of its utility subsidiaries IPL and Wisconsin Power and Light Co. (WPL), filed comments at FERC on the compliance filing. AECS's comments explain that while the company is supportive of the steps being taken, the filing is deficient in that changes to protocols are being focused on true-up procedures and are not being applied to projected rates such as those used by ITC-M and the American Transmission Company (ATC). Further, AECS noted that in order to be in a sufficient position to fully evaluate and influence projected rates on behalf of customers, greater understanding of the reasonableness, prudence, and anticipated benefits of the projected rates is needed.
- It is not currently known when or specifically how FERC might act upon the compliance filing of MISO and TOs. IPL will continue to engage in the processes allowing additional review of Attachment O rates with ITC-M to gain clarity on projected rates, either through the current or updated protocols resulting from the proceeding.

B. 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 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.

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 accepted the ITC Holdings Refund Report on January 30, 2013. ITC-M will reduce the 2012 True-Up Adjustment of the 2014 rate by \$2.7 million, which includes principal and interest, in order to accomplish the refund.

Updated Results:

- **ITC-M has reflected the refund in its 2012 True-Up Adjustment and in its projected rate for 2014. This refund was included in IPL's application to the Board for the 2014 Regional Transmission Service (RTS) rider factors, and is expected to be flowed through to IPL customers via IPL's transmission rider during 2014 once approved.**

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

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

Results:

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

Updated Results:

- **On July 18, 2013, FERC issued an order granting IPL's complaint and directed ITC-M's Attachment FF reimbursement policy to be consistent with the other MISO zones, effective with the date of the order. The July 18, 2013 FERC Order on Attachment FF is attached as Appendix 2.**
- **IPL views this FERC order as a significant positive result achieved by IPL in the interest of IPL customers. IPL's earlier estimates indicated as much as \$140 million IPL customer cost savings from 2012-2016 were possible if the policy were changed, based on known and projected generator interconnection projects at the time IPL initiated its complaint.**
- **On August 16, 2013, ITC-M filed a rehearing request and in the alternative, a clarification. The rehearing request argued that FERC erred in its determination on several counts. As an alternative to a rehearing, ITC-M also asked for a clarification on the effective date related to provisional GIAs.**

- On August 19, 2013, IPL also filed a request for clarification which seeks to clarify that FERC's directed changes will apply to existing GIAs that are amended after the date of the July 18 Order.
- On September 16, 2013, FERC issued a tolling order related to the rehearing and clarification requests which gives FERC an open ended amount of time to consider them. In the meantime, the order issued July 18, 2013 is in effect.
- On December 13, 2014, Alliant Energy Corporation (AEC) and its subsidiary IPL filed a Form 8-K with the Securities and Exchange Commission (SEC). In this filing, AEC and IPL noted that IPL had expected to fund capital transmission upgrades for its planned Marshalltown Generation Station (MGS) based on the July 18, 2013 FERC Order on ITC-M's Attachment FF and assumed such upgrades in its capital expenditure guidance issued on November 7, 2013. IPL has been informally notified that ITC-M intends to pursue an option under the terms of the MISO Generator Interconnection Procedures to self-fund the transmission upgrades associated with MGS. This self-fund option is under Attachment X of the MISO tariff, separate from Attachment FF. Under this option, IPL anticipates a direct assignment facility expense for the network upgrades after the upgrades are placed into service. IPL does not believe that the cost cap included in the Board's Proposed Decision and Order of November 9, 2013 would be affected if ITC-M were to ultimately self-fund the transmission upgrade. The AEC and IPL December 16, 2013 Form 8-K is attached as Appendix 5.

It is not currently known when or specifically how FERC might act upon the rehearing requests. IPL will continue to monitor the proceedings and engage further as needed.

D. 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 had 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.
- IPL filed comments at FERC on December 7, 2012, expressing its concerns, and acknowledging the IPL and ITC-M communications.
- On June 20, 2013, FERC issued an order approving the transaction.

Updated Status:

- On December 13, ITC and Entergy mutually agreed to terminate pursuit of the transaction, and have withdrawn their applications in the appropriate jurisdictions.

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

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

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

Results:

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

It is not currently known when or specifically how FERC might act upon this and other pending ROE complaints, however, it is generally expected that FERC will make a ruling on these complaints or issue guidance on ROEs sometime in 2014. IPL will continue to monitor the proceedings.

4. MISO Activity, IPL Participation

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

MISO released its pre-plan MTEP 13 project list in September 2012. IPL provided feedback to ITC-M and MISO.

Results:

- IPL 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.
- IPL initially opposed approximately \$148 million of ITC-M projects on the basis of insufficient support justification or excessive cost in IPL's judgment.

- IPL expected that the number of ITC-M proposed projects and their associated cost that IPL is opposed to, would be reduced if ITC-M can make satisfactory additional cost and justification information available.

Updated Results:

- **As of the fall of 2013, IPL now has no opposition to ITC-M’s proposed projects in MTEP 13 as more information has been made available by ITC-M. From that information provided by ITC-M, IPL now better understands and supports these projects and their costs, as they are in the interests of IPL customers for reliability and to support IPL distribution system plans. The final results of those these discussions between IPL and ITC-M are summarized in Figure 1.**

Original IPL Position		Final IPL Position	
	Summary of Costs		Summary of Costs
Total \$	233,247,978	Total \$	250,347,978
Support \$	150,086,000	Support \$	239,536,000
Oppose \$	72,350,000	Oppose \$	0
No opinion \$	10,811,978	No opinion \$	10,811,978

Figure 1 – Results of IPL and ITC-M Planning discussions regarding ITC-M’s MTEP 13 projects

- **In November 2013, IPL reviewed the 24 ITC-M projects being submitted to MTEP 14, totaling \$71.8 million. IPL provided comments to MISO and ITC-M:**
 - **IPL is requesting more information on 3 projects, totaling \$10.6 million. IPL’s questions are for more complete information to be shared regarding the rationale for the projects, alternatives considered and more specific details about locations for grouped project listings.**
 - **IPL does not take a position on 3 projects, totaling \$12.5 million (2 are funded by the specific customers involved and 1 is an interconnection for a non-IPL customer).**
 - **IPL supports the remaining 18 projects, totaling \$48.7 million. IPL views all of them in the best interests of reliability for IPL customers as they are aging system rebuilds, new facilities supporting IPL distribution projects, or are for North American Electric Reliability Corporation (NERC) compliance.**

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

Results:

- As noted earlier, changes in Alliant Energy and IPL executive staffing have occurred. Most notably, the IPL Planning organization has been brought under Randy Bauer, Director – System Planning. This has been done in part to bring additional focus to the coordination of planning activities between IPL and ITC-M.

It is anticipated that this will result in more coordinated project and budget planning for both IPL distribution and ITC-M transmission work.

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

In earlier Reports, IPL had included a forecast of ITC-M Rates based on revenue requirement projections provided by ITC-M.

Updated Results:

- IPL has periodically asked ITC-M for any available updated revenue requirement projections, most recently in June 2013. ITC-M has indicated that no updates are available beyond that which was provided in March 2012, nor is it known when updates will be available. Therefore, IPL has not updated any of its projections of ITC-M rates for future years. **It is not known if and when ITC-M may update revenue requirement projections.**
- ITC-M 2012 True-Up Adjustment: On May 31, 2013, ITC-M posted its 2012 True-Up Adjustment. Customers of ITC-M will receive an approximately \$5.6 million discount or refund to be applied to ITC's 2014 rates. Approximately \$2.9 million of the refund results from difference between 2012 actual net revenue requirement and 2012 actual network revenues. Another \$2.7M refund results from the FERC Audit Order, as noted earlier.
- **ITC-M Projected Attachment O Rate for 2014:**
 - **ITC-M posted its 2014 rate on its OASIS site on August 30, 2013. The projected rate is \$8.805 kW-Mo. for 2014, less than IPL's prior projection of \$8.99, for the ITC-M portion only of the ITC-M Rate Zone rate. ITC-M held its 2013 ITC Midwest Fall Partners in Business Planning and Attachment O Meetings on October 9-10, 2013. Subsequently, IPL reviewed the materials presented and submitted questions to ITC-M. ITC-M provided answers and posted them on the ITC-M OASIS.**
 - **IPL notes that in answering one IPL question on a project's cost, ITC-M determined an erroneous duplication of \$8.7M in cost had occurred. As a result, ITC-M reposted the 2014 projected Attachment O rate of \$8.795/kW-Mo. on November 26, 2013 on its OASIS site.**
- **In early 2013 and at various times throughout the year, IPL has shared its pricing outlook for overall industrial customer rates through various customer communications and interactions. These included a webinar in January, Customer Leadership Symposium in March, and Energy Summit in April, another webinar in October, and at both Transmission Stakeholder meetings in June and November. These pricing outlooks have been updated as new information becomes available, such as the ITC-M Attachment O True-Up for 2012 released in June, the ITC-M projected Attachment O rate for 2014 released in August, and IPL's projections of the Regional Transmission Service (RTS) factors in IPL's rates for 2014. IPL expects to continue providing pricing outlooks in the future as it has in 2013.**

7. Transmission Outage Performance and Operations Coordination

As part of the joint IPL/ITC-M Operations Committee, representatives of IPL's Distribution Dispatch Center meet monthly with their counterparts from ITC-M's field

operations and Operations Control Room to discuss outage history, reliability metrics and other operations-related topics.

Updated Results:

- Transmission reliability continues to improve, in large part due to ITC-M maintenance, rebuilds, conversion, and new facility construction.
- **Reliability and asset performance metrics have been updated with October 2013 year-to-date (YTD) data and are shown in Figures 2, 3, and 4.**

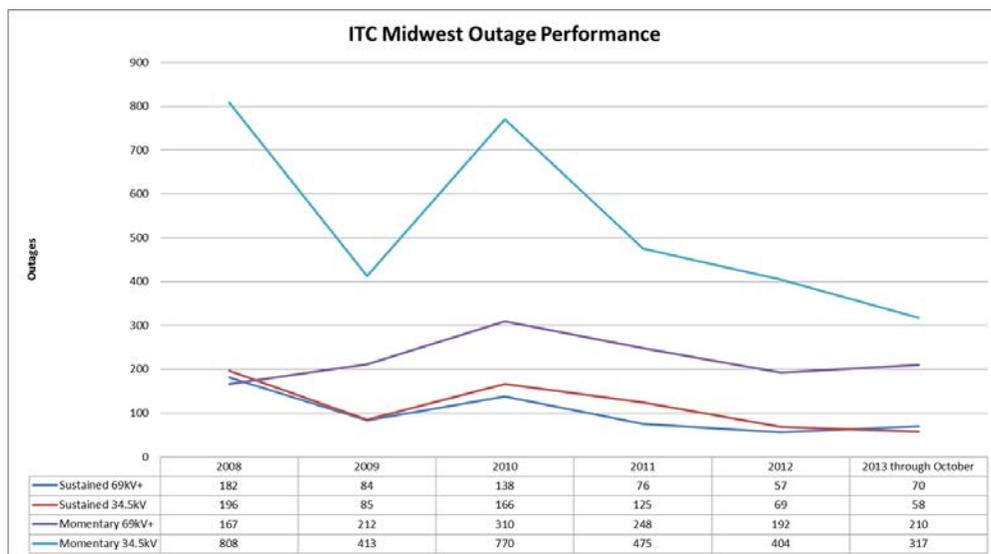


Figure 2 – ITC-M Outage Performance

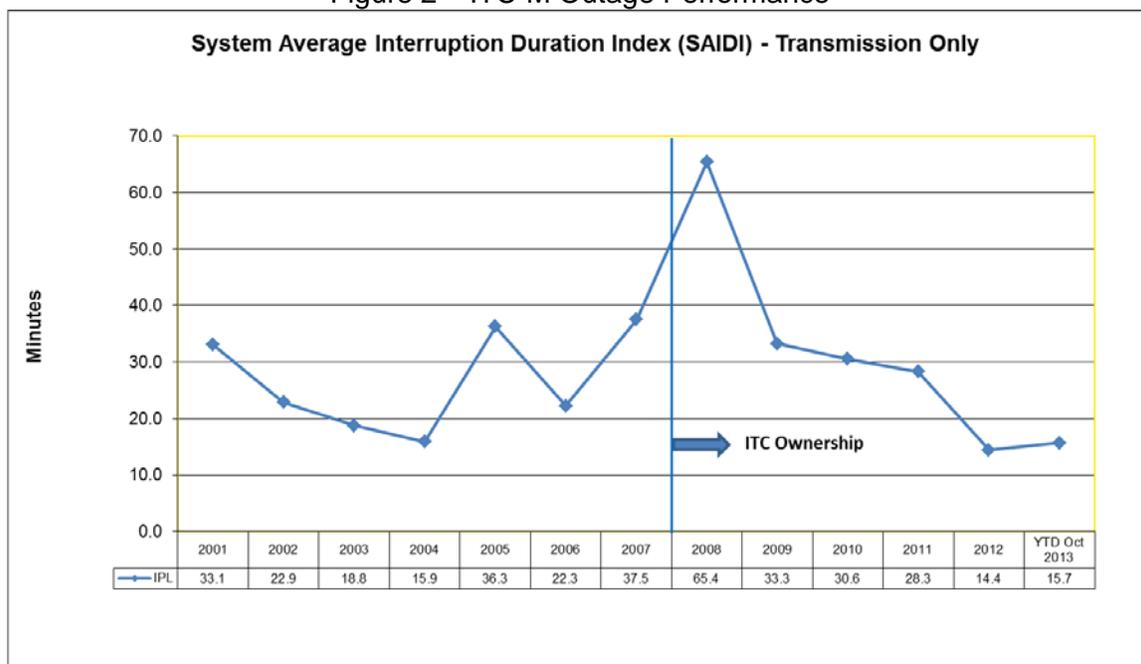


Figure 3 – Transmission Reliability, SAIDI (System Average Interruption Duration Index) - Average length in minutes of outages for all customers.

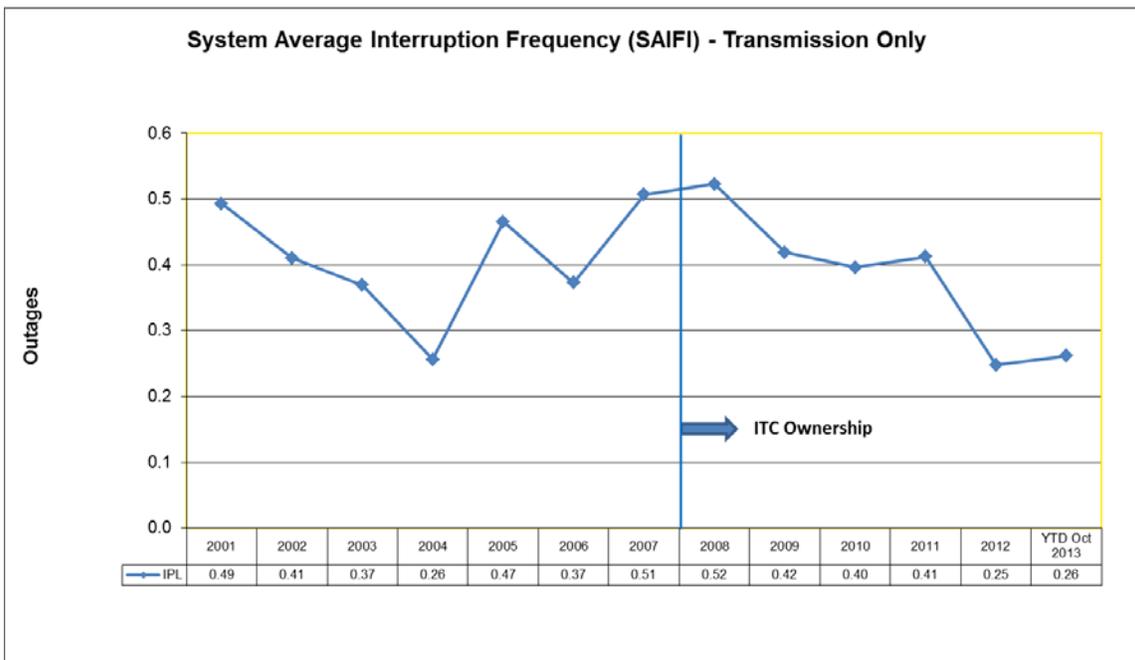


Figure 4 – Transmission Reliability, SAIFI (System Average Interruption Frequency Index) - Average number of outages experienced by all customers.

- In May 2013, IPL staffed a newly-created position of Senior Transmission Specialist that is part of IPL’s Delivery System Planning department. This position was created to facilitate coordination of details around planned ITC-M transmission outages needed to support ITC-M maintenance, rebuilds, conversion and new facility construction, farther in advance. This position and the development of new and updated processes and procedures by IPL have been well received by ITC-M. **IPL observes that the creation of this position and the development of new and updated processes and procedures have resulted in much more efficient joint outage planning and better ability to plan work farther in advance. Much less short term reactionary planning is occurring, resulting in more efficient use of IPL and ITC-M resources and better coordination involving key IPL industrial customers, farther in advance.**
- IPL and ITC-M experienced a few significant severe weather events during the first half of 2013. In each event, IPL notes that ITC-M responded appropriately and coordinated well with IPL on the restoration of IPL customers.
- **Outage Cost Reduction Analysis**
 - ITC referenced the use of the US Department of Energy ICE (Interruption Cost Estimate) Calculator (ICE Calculator) in submitted testimony to FERC related to the ITC-Entergy transaction in the fall of 2012. IPL inquired of ITC-M about doing a similar analysis for the ITC-M footprint.
 - IPL and ITC-M personnel worked together using the ICE Calculator to estimate the potential outage cost savings resulting from the improved

- reliability resulting thus far since ITC-M assumed ownership and operation of the transmission system.
- The preliminary study effort found roughly \$30 million in outage cost savings over the asset life of system investments per minute of SAIDI reduction, in 2013 \$.
 - Illustrated in terms of total potential savings using a range of plausible estimates of performance improvements achieved in the first few years of ITC-M ownership, the results are shown in Figure 5.

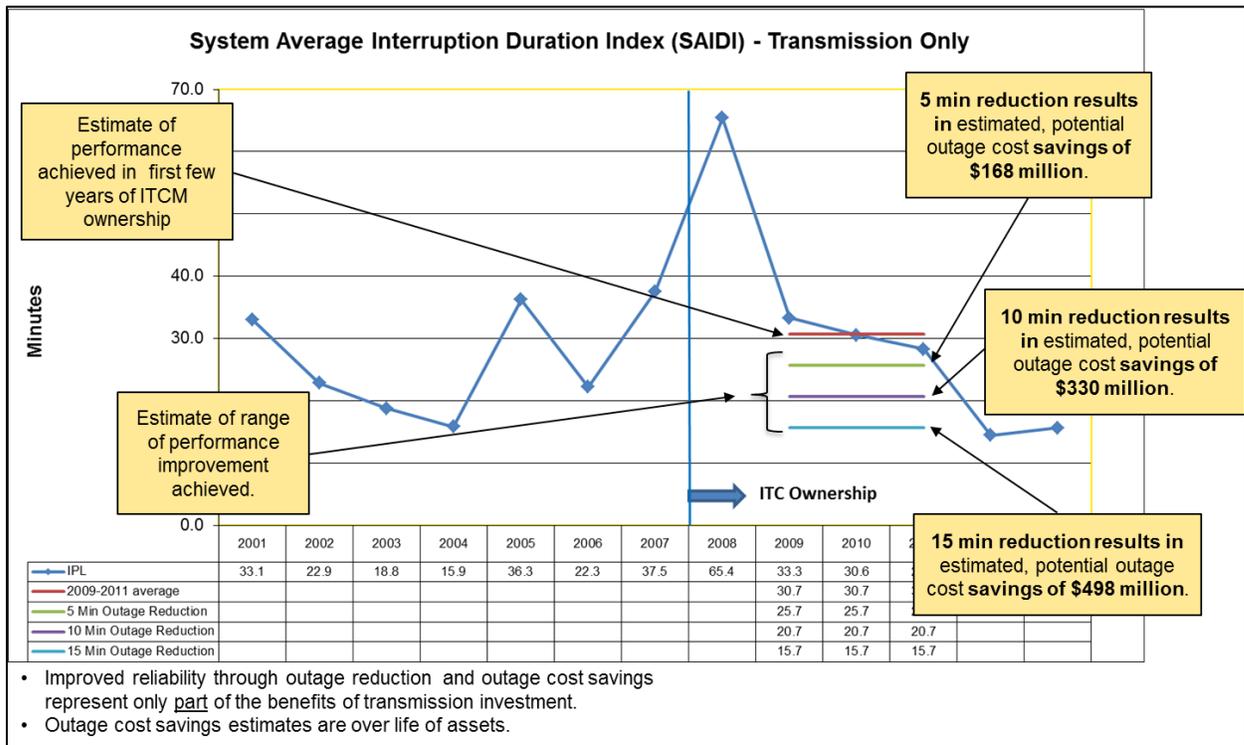


Figure 5 – Transmission Outage Cost Reduction Analysis

- In the first few years of ITC-M ownership and operation of the transmission system, estimated outage cost savings to customers over the life of the assets are likely in the range of \$168-498 million, in 2013 \$.
- This work remains a work in progress, as IPL and ITC-M continue to understand and interpret the results.

8. Transmission Stakeholder Meetings

On November 18, 2013, IPL held its sixth semi-annual Transmission Stakeholder meeting in Cedar Rapids.

The meeting presentation is attached to this Report as Appendix 7.

IPL produced responses to questions raised by stakeholders at the November 18 meeting which could benefit from additional follow-up and distributed them to

participants. The Question & Answer document is attached to this Report at Appendix 8.

9. Conclusions

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

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

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

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

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

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

A notable example of results from such engagement that IPL highlights is the July 18, 2013 FERC order granting IPL's complaint regarding the ITC-M Attachment FF policy on generator interconnections. IPL views this as a significant positive result achieved by IPL in the interest of IPL customers. IPL's earlier estimates indicated as much as \$140 million IPL customer cost savings from 2012-2016 were possible if the policy were changed, based on known and projected generator interconnection projects at the time IPL initiated its complaint.

Another highlight noted in this Report resulting from work since the June 2013 Report is the estimation of outage cost savings. Working with ITC-M, IPL has found in the first few years of ITC-M ownership and operation of the transmission system, the estimated outage cost savings to customers over the life of the assets are likely in the range of \$168-498 million, in 2013 \$.

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

justification for, and articulation of the benefits from, ITC-M's transmission system investments.

Detailed Report - Introduction

Interstate Power and Light Company (IPL) submits this semi-annual Report of its transmission-related activities, pursuant to the requirements of the Iowa Utilities Board's (Board) January 10, 2011, Final Decision and Order in Docket No. RPU-2010-0001, which conditionally allowed IPL to implement an automatic recovery mechanism for transmission costs. This Report provides details of IPL's activities in and results from managing its processes and relationship with ITC-Midwest (ITC-M) and influencing the transmission service levels and cost impacts to IPL customers. This report focuses on the following areas, with particular emphasis on activities and results since IPL's last semi-annual transmission Report filed June 28, 2013 (June 2013 Report):

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

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

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

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

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

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

A notable example of results from such engagement that IPL highlights since the June Report is the July 18, 2013 FERC order granting IPL's complaint regarding the ITC-M Attachment FF policy on generator interconnections. IPL views this as a significant positive result achieved by IPL in the interest of IPL customers. IPL's earlier estimates indicated as much as \$140 million IPL customer cost savings from 2012-2016 were possible if the policy were changed, based on known and projected generator interconnection projects at the time IPL initiated its complaint.

Another highlight noted in this Report resulting from work since the June 2013 Report is the estimation of outage cost savings. Working with ITC-M, IPL has found in the first few years of ITC-M ownership and operation of the transmission system, the estimated outage cost savings to customers over the life of the assets are likely in the range of \$168-498 million, 2013 \$.

1. ITC-M Relationship Management

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

As reflected in the June 2013 Report, in early 2013 changes in Alliant Energy and IPL executive staffing occurred, of which the most notable were:

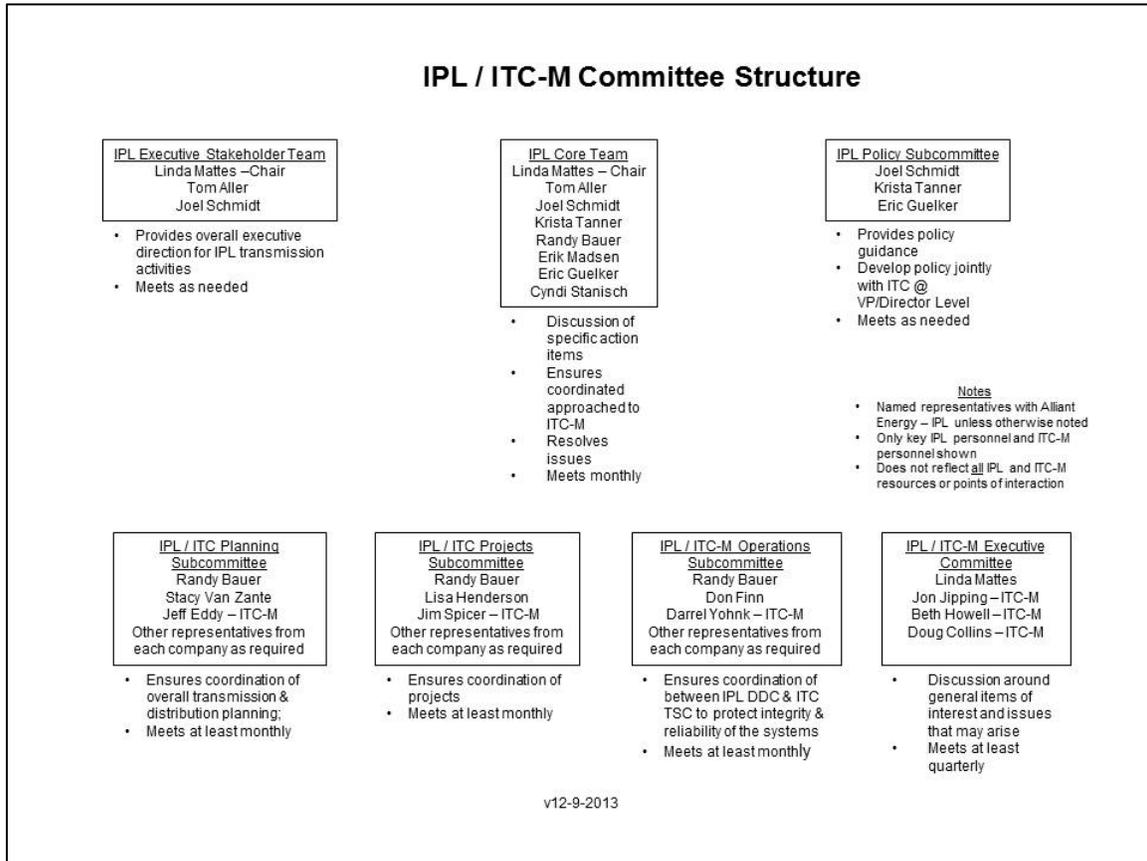
- Linda Mattes, Vice President of Energy Delivery Operations assumed the executive responsibility of the ITC-M relationship.
- Randy Bauer, Director – System Planning; reporting to Ms. Mattes, assumed responsibility for distribution planning and coordination with ITC-M involving transmission planning and operations.
- Krista Tanner, Director – Regulatory Policy reporting to Joel Schmidt, Vice President of Regulatory Affairs.
- Eric Guelker, Director – Regional and Federal Policy; reporting to Ms. Tanner, leads various regulatory issue, policy, and advocacy activities, including those involving transmission.

The committee structure addressing transmission issues and interfacing with ITC-M was reworked and simplified, reflecting the personnel noted above. The new structure is represented in Figure 6 and is essentially unchanged from that provided in the June 2013 Report.

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

- ITC-M;
- FERC;
- MISO;

- Board; and
- The Minnesota Public Utilities Commission (MPUC).



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

Figure 6 – IPL / ITC-M Committee Structure

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

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

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

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

IPL continuously monitors filings made on a routine basis by ITC-M within the 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.

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

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

- Support:
 - ITC-M requests franchise renewals;
 - ITC-M proposes a conversion project related to IPL long-term plans;
 - ITC-M proposes new IPL substation connections;
 - ITC-M plans projects to satisfy North American Electric Reliability Corporation (NERC) compliance; or
 - ITC-M's proposal supports reliability and aging infrastructure projects identified by IPL.
- Oppose:
 - The proposed generation interconnection projects shift costs from generators to IPL customers;
 - The proposed project does not materially improve reliability; or
 - The proposed project would make IPL customers responsible for a disproportionate amount of the costs.
- No Action:
 - ITC-M's project supports customers other than IPL;
 - ITC-M's filing is a routine reporting filing;
 - The docket is not related to a specific project;
 - The project is driven by regulatory policy, unless justification is not aligned with the needs of IPL's customers; or
 - A project identified at the time of the transmission system sale does not fall into the support criteria.

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

Since IPL's June 2013 Report, IPL has reviewed 19 new dockets filed by ITC-M with the Board, and has provided responses as needed in the appropriate forums for 18. A summary of IPL's review of new ITC-M filings to the Board is provided in Table 2.

Table 2 – New ITC-M Filings with Iowa Utilities Board Reviewed by IPL
June 16, 2013 – December 13, 2013

Week Of	Docket No.	Short Description	IPL Action Taken	Reason
06/16/2013	E-22139	Riceville to Cresco - 69kV	Support	Franchise Renewal
06/23/2013	E-22140	Ledyard to Colby 345 kV	Support	Part of 2011 Candidate MVP Portfolio
06/24/2013	E-22141	Ledyard to Colby 345kV	Support	Part of 2011 Candidate MVP Portfolio
06/25/2013	E-22142	Ledyard to Colby 345kV	Support	Part of 2011 Candidate MVP Portfolio
07/07/2013	E-20910	Redfield to Dexter, Conversion to 69kV	Support	34.5kV to 69kV Conversion Plans
07/08/2013	E-20940	Menlo to Dexter, Conversion to 69kV	Support	34.5kV to 69kV Conversion Plans
07/21/2013	E-22145	Grinnell turbine Tap 69kV Transmission Line	Support	Franchise Renewal
07/21/2013	E-22141	Leyard to Colby 345kV Proposed Corridor	Support	Part of 2011 Candidate MVP Portfolio
08/04/2013	E-22148	Clinton-DeWitt 161kV Line	Support	Franchise Renewal
09/08/2013	E-22152	Killdeer to Hampton 345kV Proposed Corridor	Support	Part of 2011 Candidate MVP Portfolio
09/09/2013	E-22153	Killdeer to Hampton 345kV Proposed Corridor	Support	Part of 2011 Candidate MVP Portfolio
09/15/2013	E-21894	Colby to Killdeer 345kV MVP Amendment No.2	Support	Part of 2011 Candidate MVP Portfolio
09/15/2013	E-22156	Proposed 161kV Transmission Line 8th Street to Salem Substation DBQ	Support	Line construction allows for DBQ 8th St. Retirement
09/29/2013	E-22157	Ely REC North to Change in Line Ownership with CIPCO	Support	34.5kV to 69kV Conversion Plans
10/13/2013	E-20994	DAEC Tap 69kV Transmission Line	Support	34.5kV to 69kV Conversion Plans
10/20/2013	E-22116	IA Border to Ledyard to Kossuth 345kV MVP Project	Support	Part of 2011 Candidate MVP Portfolio
11/17/2013	E-22100	DAEC-Toddville REC, 34-69kV	No Action	This rebuild will align with the conversion plans but is for the benefit of DAEC
12/13/2013	E-21393	Chariton to Corydon 69kV Amendment No.1	Support	Reliability and aging infrastructure
12/13/2013	E-21395	Chariton to Corydon 69kV Amendment No.1	Support	Reliability and aging infrastructure

Supported generally means the filings are for projects IPL views in the best interests of IPL customers, such as franchise renewals, rebuilt facilities, certain new facilities, North American Electric Reliability Corporation (NERC) compliance, or the MISO Multi Value Portfolio.

No Action generally applies to filings of no consequence to IPL customers.

Objected to or With Comments generally applies to projects unnecessary for IPL customer reliability or inappropriate cost allocations to IPL customers.

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

3. Transmission Regulatory Activity, IPL Engagement

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

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

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

Following complaints regarding MISO transmission formula rates, FERC initiated an investigation on May 17, 2012, noting that the current structure may be unjust, unreasonable, unduly discriminatory or preferential or otherwise unlawful. Areas of concern where FERC requested comments from interested parties 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 when necessary 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.
- On May 16, 2013 FERC issued an order which found that MISO's and individual company formula rate protocols are insufficient. Many of the concerns of IPL and other parties *appeared* to be recognized and addressed.

FERC directed MISO and the impacted transmission owners (TOs), which includes ITC-M, to make certain changes to their formula rate protocols within 60 days of the order. Changes to the formula rate protocols were directed to assist in making certain interested parties have the information and processes in place to help ensure just and reasonable rates. The new protocols require TOs to provide more support for information included in formula rates as well as have a well-defined challenge process which places the burden of demonstrating the correctness of information on the TO. Parties seeking to challenge the prudence of a TO's expenditures will still need to first create a serious doubt as to the prudence of those expenditures before the burden of proof shifts to the transmission owner.

Updated Results:

- MISO and the TOs made a request to FERC that an additional 60 days be given to complete the required compliance filing. FERC granted the request.
- **IPL provided verbal suggestions to ITC-M in early August regarding additional information IPL would find helpful in ITC-M's projected Attachment O rate presentations, including more detail on Administrative and General (A&G) and Operations and Maintenance (O&M) costs, correlation of projects to the annual MISO Transmission Expansion Plan (MTEP) and more breakout of capital on multi-year projects. IPL suggested that these considerations might also factor into ITC-M's participation with other MISO TOs in the development of the formula rate protocol compliance filing with**

FERC. ITC-M indicated that it was not expected that the compliance filing would reflect much change to the existing Attachment O protocols for projected rates, but they appreciated the suggestions and that they would take them into consideration.

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

basis, and the need for the new protocols to be applied to projected rates and not just true-up procedures. Further, AECS noted that in order to be in a sufficient position to fully evaluate and influence projected rates on behalf of customers, greater understanding of the reasonableness, prudence, and anticipated benefits of the projected rates is needed.

The comments filed by AECS are attached as Appendix 1.

- Various entities with MISO interests have filed comments to the compliance filing regarding the details of the timing and specific information made available in the review of actual revenue requirements and the True-Up adjustments. A few, including the Organization of MISO States (OMS) have made similar comments to AECS regarding the needed application of the protocols to projected rates. It is not currently known when or specifically how FERC might act upon the compliance filing of MISO and TOs. IPL will continue to engage in the processes allowing additional review of Attachment O rates with ITC-M to gain clarity on projected rates, either through the current or updated protocols resulting from the proceeding.

B. 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.

- FERC accepted the ITC Holdings Refund Report on January 30, 2013.

ITC-M will reduce the 2012 True-Up Adjustment of the 2014 rate by \$2.7 million, which includes principal and interest, in order to accomplish the refund. ITC-M has reflected the refund in its 2012 True-Up Adjustment posted on its MISO OASIS (Open Access, Same Time Information System) website on May 31, 2013 at http://www.oasis.oati.com/woa/docs/ITCM/ITCMdocs/ITCMW_2012_Actl_Attmnt_O_1_051313.pdf.

Updated Results:

- **Since the refund will be part of ITC-M's formula rate in 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. IPL has confirmed that ITC-M has included the refund in its projected rate for 2014, as first posted on its MISO OASIS site on August 30, 2013 at <http://www.oasis.oati.com/woa/docs/ITCM/ITCMdocs/ITCMRates.html> and updated on November 26, 2013 and reposted at <http://www.oasis.oati.com/woa/docs/ITCM/ITCMdocs/ITCMRatesII.html>.**

This refund was included in IPL's application to the Board for the 2014 Regional Transmission Service (RTS) rider factors, and is expected to be flowed through to IPL customers via IPL's transmission rider during 2014 once approved.

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

As noted in earlier Reports, IPL communicated its concerns to ITC-M regarding its implementation of the MISO Attachment FF. In this tariff, the costs of network upgrades related to generator interconnections are reimbursed to generators and, thus, passed on to IPL customers through ITC-M's rates. IPL 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 pays for 100% of the cost of network upgrades rated below 345kV and 90% for those rated above 345kV needed to connect to the transmission system. ITC-M has declined to make such a change, instead noting the professed benefits of the current ITC-M policy to IPL and its customers through support of regional wind generation development and overall economic development, and stating that the reimbursement policy is consistent with FERC policy. IPL then engaged the MISO stakeholder process through its various committees. MISO ultimately advised IPL that

MISO could not address the disputed issue between IPL and ITC-M, or provide relief through their tariff administration.

Using ITC-M's historical and forecasted capital expenditures for generator interconnections, IPL 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, versus an Attachment FF implementation consistent with the majority of MISO described above.

Results:

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

Updated Results:

- **On July 18, 2013, FERC issued an order granting IPL's complaint and directed MISO on behalf of ITC-M to make revisions to Attachment FF so that ITC-M's reimbursement policy is consistent with the other MISO zones. Changes are effective as of date of the order. Customers who had Generator Interconnection Agreements (GIAs) executed or filed with the Commission prior to the date of the order will use the former reimbursement policy. GIAs executed or filed with the Commission prior to the date of the order but that are amended to add additional network upgrades will be addressed on a case-by-case basis. The July 18, 2013 FERC Order on Attachment FF is attached as Appendix 2.**
- **IPL views this FERC order as a significant positive result achieved by IPL in the interest of IPL customers. IPL's earlier estimates indicated as much as \$140 million IPL customer cost savings from 2012-2016 were possible if the policy were changed, based on known and projected generator interconnection projects at the time IPL initiated its complaint.**
- **On August 14, 2013, MISO filed at FERC a compliance filing with the applicable MISO tariff sections edited to reflect the July 18, 2013 FERC order.**

- **On August 16, 2013, ITC-M filed a rehearing request and in the alternative, a clarification. The rehearing request argued that FERC has:**
 - **Neglected to articulate a rational connection between the facts and its decision**
 - **Failed to justify its departure from prior decisions**
 - **Erred by ignoring its own cost causation policies**
 - **Erred by agreeing with the complaint without holding a hearing and finding that IPL met its burden of proof without an adequate record evidence upon which to make such a finding**
 - **Deprived ITC Midwest of meaningful FPA Section 205 rights**
 - **Erred by instituting rates for the ITC-M zone that discourages new generation**

As an alternative to a rehearing, ITC-M also asked for a clarification on the effective date of FERC's ordered changes and requested that customers with provisional GIAs as of July 18, 2013 will continue to be subject to the policy where ITC-M provided 100% reimbursement and that customers that have made M2 milestone payments as of July 18, 2013 will be subject to the 100% reimbursement policy formerly in place. The August 16, 2013 ITC-M Request for Rehearing is attached as Appendix 3.

- **On August 19, 2013, IPL also filed a request for clarification which seeks to clarify that FERC's directed changes will apply to existing GIAs that are amended after the date of the July 18 Order. As stated above, FERC is currently planning to handle these situations on a case-by-case basis. NextEra Energy Resources, Inc. filed an answer to IPL's clarification objecting and requesting that that the new policy not apply to all amendments of GIAs following July 18, 2013, and in particular not to new network upgrades in such GIAs that are required because of the completion of interconnection studies required by the existing GIA. The August 19, 2013 IPL Request for Clarification is attached as Appendix 4.**
- **On September 6, 2013 MISO filed an unexecuted amended GIA agreement for a new generation interconnection on ITC-M's system. The agreement was filed unexecuted as the generator (Barton Windpower in Minnesota) wanted to use ITC-M's old reimbursement policy for network upgrades while MISO argued this was not appropriate due to the upgrades in question being identified when the system was owned by a different party (SMMPA) and due to FERC's July 18th Order changing the reimbursement policy for ITC-M.**
- **On September 16, 2013, FERC issued a tolling order related to the rehearing and clarification requests filed which gives FERC an open ended amount of time to consider the rehearing and clarification requests filed. In the meantime, the order issued July 18, 2013 is in effect as issued.**

- On November 12, 2013 FERC issued an order which found that the reimbursement policy to be used with the Barton Windpower amended GIA is the policy that was in effect for ITC-M on September 6, 2013, the date when the revised GIA filing was made. As such, ITC-M's former 100% reimbursement policy (which ended on July 18, 2013) will not be used. FERC did not address in this order IPL's request for clarification on the ITC-M reimbursement policy to be used with amended GIAs filed after July 18, 2013.
- On December 13, 2014, Alliant Energy Corporation (AEC) and its subsidiary IPL filed a Form 8-K with the Securities and Exchange Commission (SEC). In this filing, AEC and IPL noted that IPL had expected to fund capital transmission upgrades for its planned Marshalltown Generation Station based on the July 18, 2013 FERC Order on ITC-M's Attachment FF and assumed such upgrades in its capital expenditure guidance issued on November 7, 2013. IPL has been informally notified that ITC-M intends to pursue an option under the terms of the MISO Generator Interconnection Procedures to self-fund the transmission upgrades associated with MGS. This self-fund option is under Attachment X of the MISO tariff, separate from Attachment FF. Under this option, IPL anticipates a direct assignment facility expense for the network upgrades after the upgrades are placed into service. IPL does not believe that the cost cap included in the Board's Proposed Decision and Order of November 9, 2013 would be affected if ITC-M were to ultimately self-fund the transmission upgrade. The December 16, 2013 SEC filing by AEC and IPL is attached as Appendix 5.

It is not currently known when or specifically how FERC might act upon the rehearing requests. IPL will continue to monitor the proceedings and engage further as needed.

D. 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. ITC Holdings and Entergy filed an application at FERC on September 24, 2012, for approval of the transaction and rate treatment.

IPL had 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 the December 2012 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.
- On February 22, 2013, ITC filed a response to comments in the docket including those by IPL. ITC's response to IPL's concerns provided general reassurances but did not provide any formal commitments.
- On June 20, 2013, FERC issued an order approving the transaction. The transaction remained in the process of review by regulators in Texas, Missouri, Arkansas, Louisiana, Mississippi and the City of New Orleans. Subsequent activity in the state proceedings indicated concerns by regulators as to the benefits that may be seen from the transaction. ITC and Entergy proposed approximately \$453M in rate mitigation funds to lower costs for ratepayers in Texas, Louisiana and Arkansas as part of a conditional mitigation plan dependent on a benefits analysis to help alleviate stakeholder concerns regarding the benefits and costs to customers.

Updated Status:

- **In September 2013, due to concerns raised in Texas, ITC and Entergy withdrew their application and refiled in Texas where it remains under consideration. The Arkansas, Louisiana and Missouri commissions had voted to suspend consideration of the merger until the re-filing in Texas was made. ITC and Entergy indicated their targeted date for the transaction close is early 2014.**

- On December 10, 2013, the Mississippi Public Service Commission denied approval of the transaction.
- On December 13, ITC and Entergy mutually agreed to terminate pursuit of the transaction, and have withdrawn their applications in the appropriate jurisdictions.

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

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

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

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

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

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

Results:

- AECS filed a "doc less" intervention (without comments) in the docket on December 10, 2013 on behalf of IPL and WPL as interested parties. Filing such an intervention neither supports or

opposes the complaint, but allows Alliant Energy to stay abreast of further developments and potentially participate in future proceedings should the opportunity and need as well as the ability to participate arise.

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

It is not currently known when or specifically how FERC might act upon this and other pending ROE complaints, however, it is generally expected that FERC will make a ruling on these complaints or issue guidance on ROEs sometime in 2014.

IPL will continue to monitor the proceedings.

4. MISO Activity, IPL Participation

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

IPL participates in various committees and meetings at MISO pertaining to transmission topics. Specifically, IPL is an active participant 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 participant of the Planning Advisory Committee (PAC) as a representative of the Transmission Dependent Utility (TDU) sector. Other groups where IPL has representation include the Interconnection Process Task Force and the West Sub-Regional Planning Meeting (West SPM).

A summary chart of the various MISO committees IPL participates in is provided in Figure 6. A few minor changes to the individuals representing Alliant Energy and IPL on the various committees have occurred and Figure 7 has been updated.

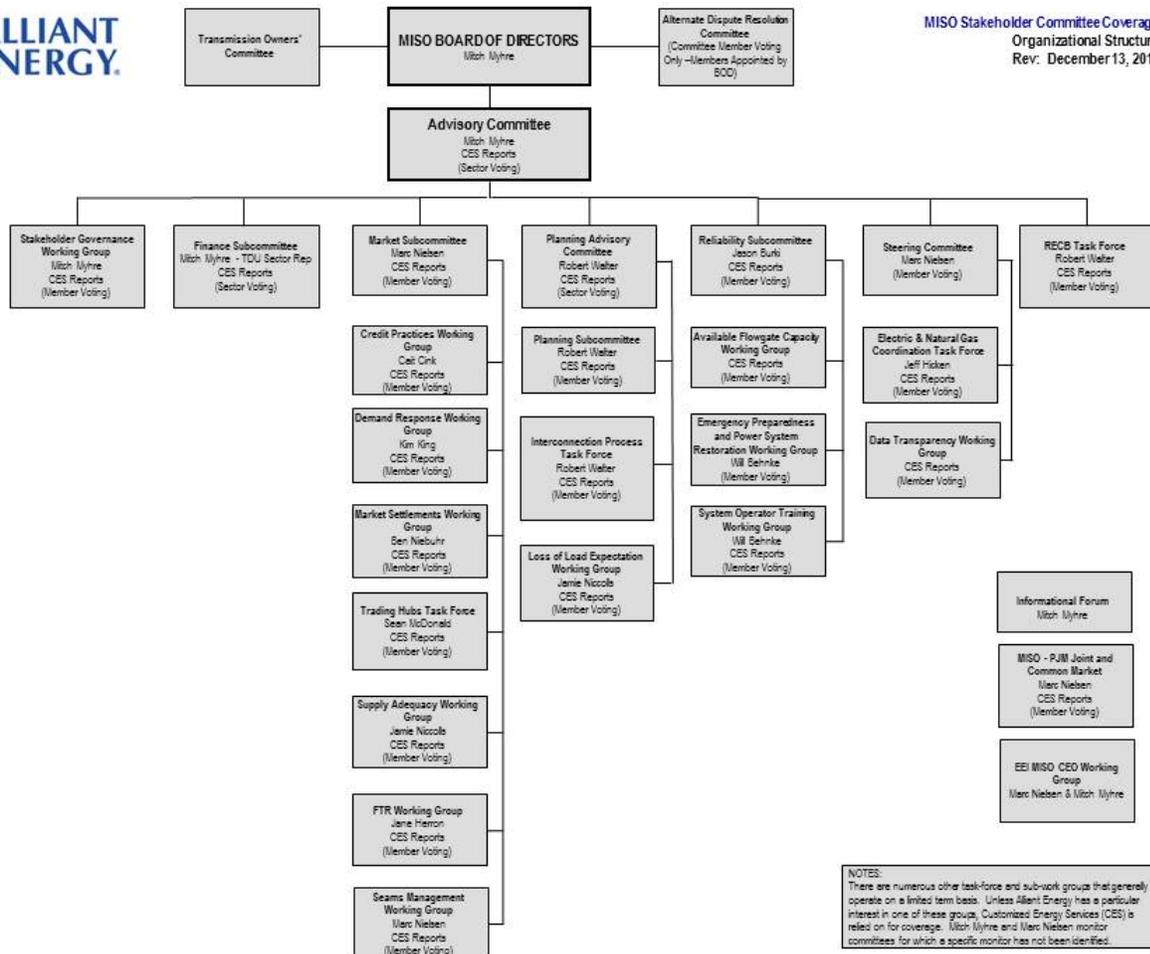


Figure 7 – Alliant Energy involvement at MISO

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 dockets. In summary:

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

Consistent with its annual planning process, MISO released its pre-plan MTEP 13 project list in September 2012. IPL 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.

Results:

- In November 2012, IPL reviewed those projects proposed for MTEP 13 and provided comments to MISO and ITC-M:
 - IPL 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 initially supported approximately \$92 million of ITC-M projects of the approximately \$250 million total over 2013-2018. IPL supported these projects because they align with IPL's support criteria as noted in *Section 2, Review, Analysis of and Response to ITC-M Dockets*.
 - IPL shared all comments on proposed MTEP13 projects directly with ITC-M and proposed meeting with ITC-M for further discussion on the MTEP13 projects.
 - IPL expected that some number of ITC-M proposed projects and their associated cost that IPL is opposed to, would be reduced if ITC-M made satisfactory additional cost and justification information available.
 - Planning representatives with each company continued to discuss IPL's questions and concerns. Specifically, IPL's concerns were primarily its opposition to certain 69kV projects due to a lack of information regarding

priority, and opposition to ITC-M's multi-year approach to capital maintenance dollars and the level of funding for such work.

- Those discussions resulted in IPL having significantly less opposition to ITC-Ms proposed projects in MTEP 13 as reported in the June 2013 Report:
 - IPL now supports all 69kV projects based on the additional information provided by ITC-M that show these assets to be aging and requiring more maintenance dollars to maintain.
 - IPL continued to work with ITC-M on the capital maintenance project concerns.
 - IPL continued to work with ITC-M to coordinate transmission and distribution work to maximize reliability improvements and minimize each other's costs.

Updated Results:

- **As of the fall of 2013, IPL now has no opposition to ITC-M's proposed projects in MTEP 13 as more information has been made available by ITC-M. From that information provided by ITC-M, IPL now better understands and supports these projects and their costs, as they are in the interests of IPL customers for reliability and to support IPL distribution system plans. The final results of those these discussions between IPL and ITC-M are summarized in Figure 8.**

Original IPL Position		Final IPL Position	
	Summary of Costs		Summary of Costs
Total \$	233,247,978	Total \$	250,347,978
Support \$	150,086,000	Support \$	239,536,000
Oppose \$	72,350,000	Oppose \$	0
No opinion \$	10,811,978	No opinion \$	10,811,978

Figure 8 – Results of IPL and ITC-M Planning discussions regarding ITC-M's MTEP 13 projects

- **The MTEP 13 projects were approved by the MISO Board of Directors on December 12, 2013.**
- **In November 2013, IPL reviewed the 24 ITC-M projects being submitted to MTEP 14, totaling \$71.8 million. Consistent with its criteria as noted in *Section 2, Review, Analysis of and Response to ITC-M Dockets*, IPL provided comments to MISO and ITC-M:

 - **IPL is requesting more information on 3 projects, totaling \$10.6 million. IPL's questions are for more complete information to be shared regarding the rationale for the projects, alternatives considered and more specific details about locations for grouped project listings.**
 - **IPL does not take a position on 3 projects, totaling \$12.5 million. (2 are funded by the specific customers involved and 1 is an interconnection for a non-IPL customer).****

- **IPL supports the remaining 18 projects, totaling \$48.7 million. IPL views all of them in the best interests of reliability for IPL customers as they are aging system rebuilds, new facilities supporting IPL distribution projects, or are for North American Electric Reliability Corporation (NERC) compliance.**
- **IPL will continue to be actively involved at MISO as the MTEP 2014 project list continues to be studied and refined.**
- **MISO has not identified a new portfolio of Candidate MVP projects since MTEP 11. IPL continues to monitor initiation and progress of the MTEP 11 MVPs.**

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

Results:

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

Support of ITC-M's 12-year rebuild plan continues to be a priority for IPL and ITC-M. Likewise, IPL desires to continue support of the 18-year conversion schedule for the reliability and operational benefits associated with conversion to 69kV. However, supporting the rebuild and conversion schedule continues to require close coordination on the need, priority, and budget alignment. IPL continues to believe that it is on track or ahead to meet the 18-year conversion schedule and that ITC-M is on track or ahead to meet the 12-year rebuild schedule and the 18-year conversion schedule.

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

Updated Results:

- In *Section 1. ITC-M Relationship Management*, and the June 2013 Report it was noted that changes in Alliant Energy and IPL executive staffing have occurred. Most notably, the IPL Planning organization has been brought under Randy Bauer, Director – System Planning, and is now part of the Energy Delivery business unit, led by Linda Mattes, Vice President of Energy Delivery Operations. This has been done in part to bring additional focus to the coordination of planning activities between IPL and ITC-M. It is anticipated that this will result in more coordinated project and budget planning for both IPL distribution and ITC-M transmission work. **IPL continues:**
 - **Close coordination with ITC-M on planned projects and costs to influence the prudence, priority, expected benefits, cost efficiency and pace of new capital investment;**
 - **Active engagement with the MTEP process at MISO on projects to challenge and influence project costs and justification as needed.**

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

The June and December 2012 Reports included the results of IPL's projections of ITC-M and MISO regional project rates at the request of stakeholders.

IPL had previously 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 then 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 information, IPL updated its rate forecast modeling of ITC-M rates.

Updated Results:

- IPL has periodically asked ITC-M for any available updated revenue requirement projections, most recently in June 2013. ITC-M has indicated that no updates are available beyond that which was provided in March 2012, nor is it known when updates will be available. IPL will continue to periodically request updates from ITC-M and monitor publically available information including Securities and Exchange Commission (SEC) and FERC filings for additional insight to ITC-M financial plans, including revenue requirements or capital expenditure projections. Therefore, IPL has not updated any of its projections of ITC-M rates for future years. IPL will update its projections of ITC-M rates for future years when ITC-M makes available any new revenue requirements projections or other data that would facilitate IPL generating an update to its projections of ITC-M rates. **It is not known if and when ITC-M may update revenue requirement projections.**
- ITC-M 2012 True-Up Adjustment: On May 31, 2013, ITC-M posted its 2012 True-Up Adjustment on its MISO OASIS website at <http://www.oasis.oati.com/ITCM/index.html>.

IPL has reviewed the posted True-Up information which indicates customers of ITC-M will receive an approximately \$5.6 million discount or refund to be applied to ITC's 2014 rates.

Approximately \$2.9 million of the refund results from difference between 2012 actual net revenue requirement and 2012 actual network revenues. This compares to a \$1.7M proxy that appeared earlier in ITC's SEC form 10K for 2012. From IPL's review of ITC's annual SEC 10K filing, note is made of certain regulatory asset account balances for ITC-M, which serves as a proxy for the later posted True-Up.

IPL observed that the main reasons for the \$2.9M refund appear to be:

- Lower actual gross plant beginning balance, lower 2012 additions to plant in-service, and higher plant retirements
- Lower allowed return due to lower WACC
- Partially offset by higher O&M

Another \$2.7M refund results from the FERC Audit Order, as was previously expected, and discussed in *Section 3. Transmission Regulatory Activity, IPL Engagement* of this Report.

IPL continues to find that ITC-M explanations for changes in various components of the formula rate are reasonable.

- ITC-M Projected Attachment O Rate for 2014:
 - ITC-M posted its 2014 rate on its OASIS site on August 30, 2013. The projected rate is \$8.805 kW-Mo. for 2014, less than IPL's prior projection of \$8.99, for the ITC-M portion only of the ITC-M Rate Zone rate.
 - ITC-M held its 2013 ITC Midwest Fall Partners in Business Planning and Attachment O Meetings on October 9-10, 2013. In the presentation, the projected rate components and 2014 projects were reviewed.
 - Subsequently, IPL reviewed the materials presented and submitted questions to ITC-M. ITC-M provided answers and posted them on the ITC-M OASIS site at
 - <http://www.oasis.oati.com/ITCM/index.html>. IPL's questions and ITC-M's responses are also attached as Appendix 6 and Appendix 7 respectively.
 - IPL reviewed the answers and had no follow up questions.
 - IPL notes that in answering one IPL question on a project's cost, ITC-M determined an erroneous duplication of \$8.7M in cost had occurred. As a result, although the projected rate impact was expected to be approximately \$0.01/kW-Mo. less than the originally posted rate projection, ITC-M indicated it would repost the 2014 projected Attachment O rate on or before December 2, 2013. ITC-M did subsequently repost the 2014 projected Attachment O rate of \$8.795/kW-Mo. on November 26, 2013 on its OASIS site at <http://www.oasis.oati.com/ITCM/index.html>.
- IPL reaffirms its conclusions from prior Reports that the level of ITC-M rates and 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. As shown in prior Reports for example, the average MW load per mile of transmission line for ITC-M is less than half that for comparable regional transmission owners.

IPL recognizes and acknowledges that ITC-M is making needed investments in the transmission system, and that transmission reliability is improving as a result. IPL further recognizes that some transmission investment cost is-- and will continue to be driven by-- an aging system,

integration of renewable resources and evolving regulation on planning, cost allocation and environmental compliance.

- In earlier Reports, IPL also summarized MISO's Schedule 26 and 26A rate forecasts for large projects cost shared across the MISO footprint. MISO forecasts have not changed substantially for these cost shared projects; therefore IPL has not provided an update in this Report. IPL continues to monitor MISO Schedule 26 and 26A forecasts for any significant changes and will include analysis in future Reports as needed.
- **In early 2013 and at various times throughout the year, IPL has shared its pricing outlook for overall industrial customer rates with customers, including transmission, through various customer communications and interactions. These included a webinar in January, Customer Leadership Symposium in March, and Energy Summit in April, another webinar in October, and at both Transmission Stakeholder meetings in June and November. These pricing outlooks have been updated as new information becomes available, such as the ITC-M Attachment O True-Up for 2012 released in June, the ITC-M projected Attachment O rate for 2014 released in August, and IPL's projections of the Regional Transmission Service (RTS) factors in IPL's rates for 2014. IPL expects to continue providing pricing outlooks in the future as it has in 2013.**

7. Transmission Outage Performance and Operations Coordination

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

Updated Results: Reliability and asset performance metrics have been updated with October 2013 year-to-date (YTD) data and are shown in Figures 9, 10, and 11.

From the asset performance data provided by ITC-M representing the number of transmission line outages, IPL has updated the graph shown in Figure 8. This data has been updated by ITC-M using consistent criteria across all years shown. Through October YTD 2013, the data illustrates a continued improvement trend of fewer sustained and momentary outages since the transmission asset sale by IPL and purchase by ITC-M. The years 2008 and 2010 data are considered abnormal due to the number and severity of weather events. Data for this particular metric is only available back to 2008 when ITC-M acquired the transmission system, since IPL tracked outage statistics in a different way prior to 2008.

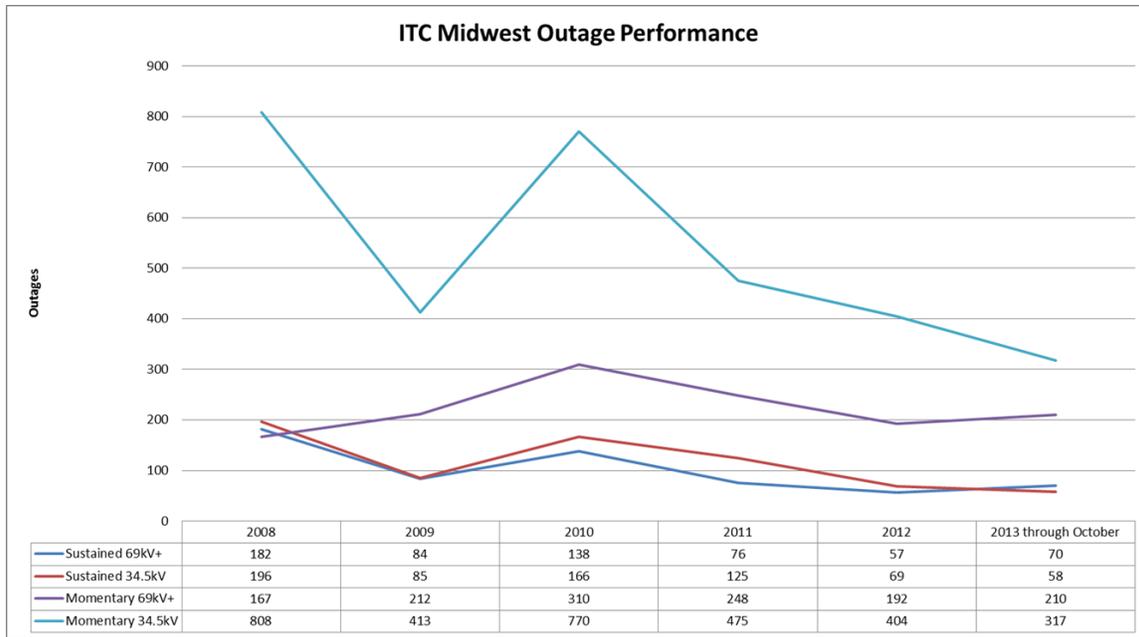


Figure 9 – ITC-M Outage Performance

Industry standard measures of the customer outage experience (SAIDI and SAIFI; transmission only) are shown again in Figures 10 and 11, updated by IPL for October YTD 2013. These metrics provide a long term comparison of both reliability and restoration performance, since the data have been consistently collected by IPL before and after the transmission system sale to ITC-M. The data illustrates the customer reliability performance in terms of transmission only for the period 2001–2013. While weather events can also greatly impact these measures, “major” events such as the 2007 ice storm and 2008 floods have been excluded using Board criteria. **Consistent with the ITC-M Outage Performance data, IPL’s transmission SAIDI and SAIFI data illustrates a continued improvement trend of fewer and shorter sustained outages since the transmission asset purchase by ITC-M.**

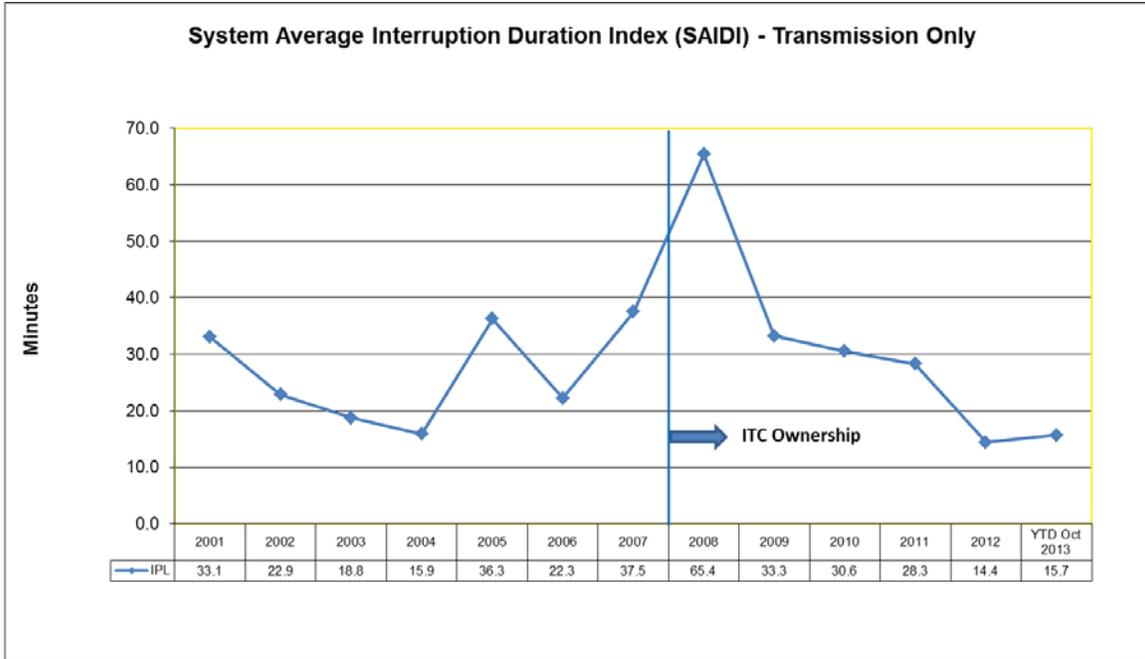


Figure 10 – Transmission Reliability, SAIDI (System Average Interruption Duration Index) - Average length in minutes of outages for all customers.

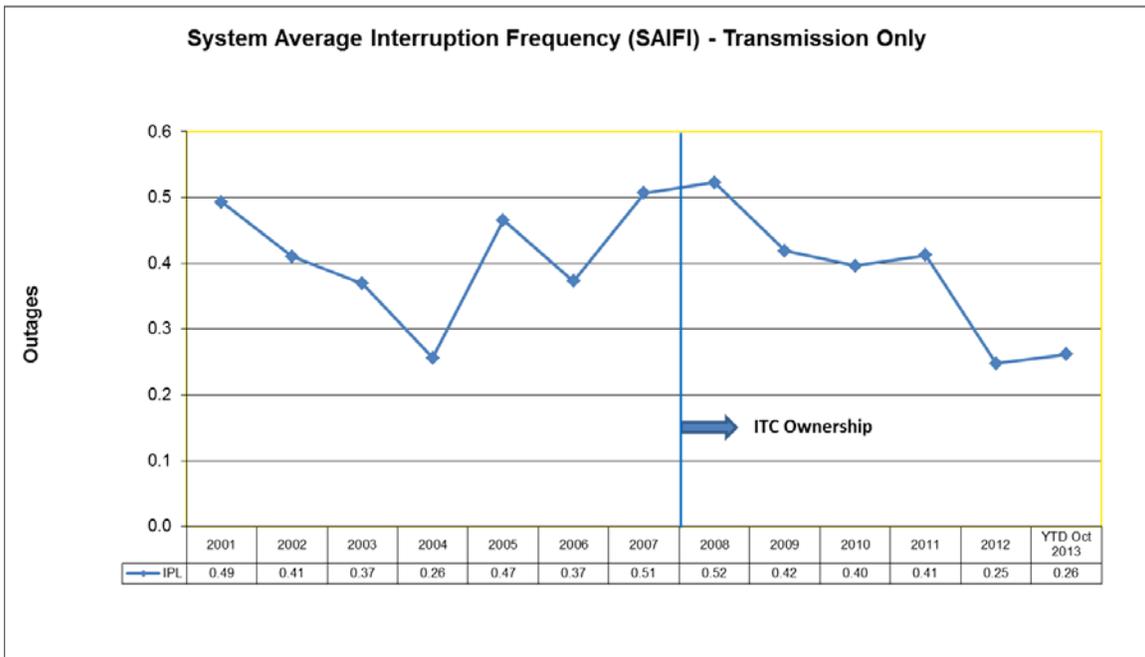


Figure 11 – Transmission Reliability, SAIFI (System Average Interruption Frequency Index) - Average number of outages experienced by all customers.

Results:

- **Transmission reliability continues to improve, in large part due to ITC-M maintenance, rebuilds, conversion, and new facility construction.** A general improvement trend in the number and duration of customer outages is observed in the metrics illustrated in the Figures 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.
- IPL and ITC-M have continued the efforts described in prior Reports to:
 - Minimize impacts to large industrial customers from planned outages. Through experience, both IPL and ITC-M have become more aware of the circumstances under which the unplanned outage risk is increased associated with ITC-M work. This has led to better recognition of those circumstances farther in advance, improved coordination and contingency planning. The processes and resulting coordination continue to evolve and improve.
 - Collect IPL large customer plant planned outage and maintenance schedules. This helps optimize ITC-M system maintenance scheduling and minimize inconvenience and unplanned outage risk for IPL customers.
 - Improve communications with customers by IPL and ITC-M. IPL's Account Management and ITC-M's Stakeholder Relations groups continue to coordinate closely on communications, particularly with large, transmission-connected customers, improving service and minimize conflicting or confusing messaging.
- With the considerable amount of transmission work being done by ITC-M, IPL has recognized the need to allocate more resources to coordination. In May 2013, IPL staffed a newly-created position of Senior Transmission Specialist that is part of IPL's Delivery System Planning department. This position was created to facilitate coordination of details around planned ITC-M transmission outages needed to support ITC-M maintenance, rebuilds, conversion and new facility construction, farther in advance. In addition, the Specialist facilitates identifying and negotiating alternatives to proposed work that optimizes schedule, priority, scope; minimizes customer risk and assists in developing contingency plans. This position and the development of new and updated processes and procedures by IPL have been well received by ITC-M. IPL observes that the creation of this position and the development of new and updated processes and procedures have resulted in much more efficient joint outage planning and better ability to plan work farther in advance. Much less short term reactionary planning is occurring, resulting in more efficient use of IPL and ITC-M resources and better coordination involving key IPL industrial customers, farther in advance.
- IPL and ITC-M experienced a few significant severe weather events during the first half of 2013. On April 9-10, 2013, ice and heavy snow impacted transmission and distribution in northern Iowa and southern Minnesota. Later, on May 19, 2013, severe thunderstorms caused numerous transmission and distribution outages in eastern Iowa, especially in the Cedar Rapids area. More recently, high winds and tornados impacted transmission in northern Iowa, especially in the Belmond area on June 19, 2013. In each event, IPL notes that

ITC-M responded appropriately and coordinated well with IPL on the restoration of IPL customers.

Updated Results:

- **Outage Cost Reduction Analysis**
 - ITC referenced the use of the US Department of Energy ICE (Interruption Cost Estimate) Calculator (ICE Calculator) in submitted testimony to FERC related to the ITC-Entergy transaction in the fall of 2012. ITC had performed analysis for the ITC Michigan operating companies to determine a quantifiable value of improved system reliability.
 - IPL inquired of ITC-M about doing a similar analysis for the ITC-M footprint in submitted questions to ITC-M following the fall 2012 ITC-M Partners in Business and Attachment O rate meeting; however ITC-M indicated that they felt it was too early in the operating history of ITC Midwest to perform such an analysis.
 - However, ITC-M included Don Morrow of Quanta Technology as a presenter at the ITCM 2013 Spring Partners in Business Meeting. Don discussed the overall “Economic Impact of Transmission Investments”, including those resulting from reliability improvement and estimated using the ICE Calculator.
 - Sufficient interest in the topic was expressed by participants, including IPL industrial customers that IPL invited Don for similar discussion at the June 2013 Transmission Stakeholder meeting.
 - In Don’s discussion at the June 2013 meeting, transmission benefits were grouped in three categories:
 - Improved reliability
 - Reduced outages, outage cost
 - Performance standards compliance
 - Reduced energy cost
 - Congestion relief
 - Market access
 - Flexibility of supply
 - Enabled opportunities
 - Economic development
 - IPL indicated at the June 2013 meeting that it planned to initiate a study with ITC-M using the ICE Calculator. In its examination of methodologies to estimate value of reduced outages, IPL found that the estimation of outage costs is challenging with many approaches, including surveys, case studies, etc. The ICE Calculator is a tool based on surveys of outage costs impacts to various customer classes in different regions of the country. While not a perfect approach, it does appear to provide a good, credible, repeatable estimate of economic impacts of various levels of reliability.

- Following the June 2013 meeting, IPL and ITC-M personnel worked together using the transmission SAIDI and SAIFI data referenced earlier, as well as IPL customer number data and the ICE Calculator to estimate the potential outage cost savings resulting from the improved reliability resulting thus far since ITC-M assumed ownership and operation of the transmission system.
- The preliminary study effort found roughly \$30 million in outage cost savings over the asset life of system investments per minute of SAIDI reduction, in 2013 \$.
- The work remains a work in progress, as IPL and ITC-M continue to understand and interpret the results.
- Illustrated in terms of total potential savings using a range of plausible estimates of performance improvements achieved in the first few years of ITC-M ownership, the results are shown in Figure 12:

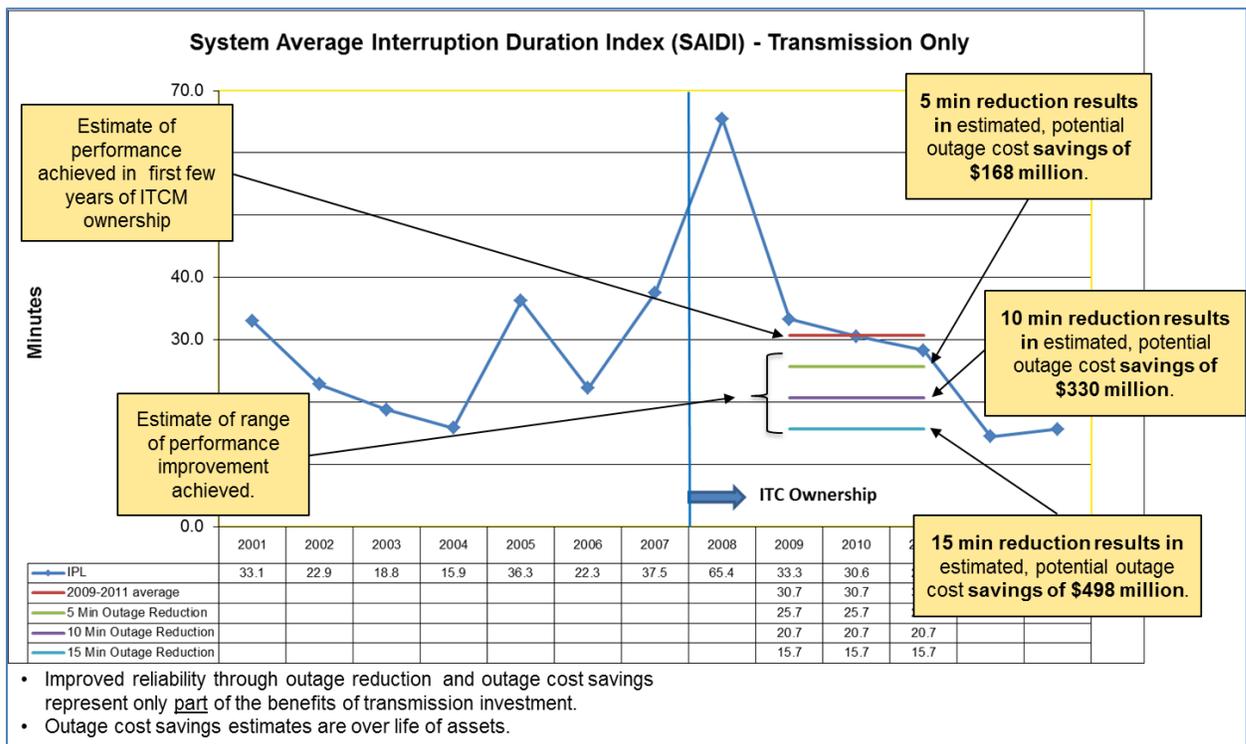


Figure 12 – Transmission Outage Cost Reduction Analysis

- In summary, IPL notes that:
 - While not precisely calculated, outage cost savings through improved reliability can be estimated and are real and substantial.
 - In the first few years of ITC-M ownership and operation of the transmission system, estimated outage cost savings to customers over the life of the assets are likely in the range of \$168-498 million, 2013 \$.

- Improved reliability through outage reduction and outage cost savings represent only part of the benefits of transmission investment—other benefits include reduced energy costs and enabled opportunities in various forms of economic development.
- Although SAIDI and SAIFI performance will vary over time, especially due to weather volatility, gains made through prior investment will continue to yield benefits for many years after.
- This work remains a work in progress, as IPL and ITC-M continue to understand and interpret the results.
- Reduced energy costs are an entirely different category of benefits and considerably more difficult and subjective to estimate, but none-the-less are considered to be substantial.
 - IPL and ITC-M continue to explore means to reasonably estimate reduced energy costs.

8. Transmission Stakeholder Meetings

On November 18, 2013, IPL held its sixth semi-annual Transmission Stakeholder meeting in Cedar Rapids.

Invitations were again extended to IPL customers, customer consortium representatives, the Board staff, OCA staff and other stakeholders as has been done with past Transmission Stakeholder meetings. With similar attendance to prior meetings; participating in the meeting were representatives from seven IPL customers, three customer consortium representatives (LEG and ICC), one OCA representative, three ITC-M staff and various IPL staff. The summary agenda included:

- IPL Business Overview, IPL & ITC Midwest
- Transmission Benefits – Reliability
 - Including outage cost reduction analysis
- Transmission and Overall Rates
- Recent Transmission Activity
- Transmission Policy / Regulatory Update
- ITC Midwest Update
- Upcoming Transmission Activities

The meeting presentation is attached to this Report as Appendix 8.

IPL produced responses to questions raised by stakeholders at the November 18 meeting which could benefit from additional follow-up and distributed them to participants. The Question & Answer document is attached to this Report at Appendix 9.

9. Timetable of Events Influencing Transmission Rates & Service

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

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

2014 Month	Description
January - December	<ul style="list-style-type: none"> • On-going IPL / ITC-M Planning, Project, Operations, and Executive meetings • On-going IPL evaluation and analysis of any new information that may impact ITC-M Attachment O rates
June	<ul style="list-style-type: none"> • ITC-M 2013 True-up amount posted. • Revised MISO Attachment O protocols in effect; additional, potential rate evaluation opportunity.
September	ITC-M 2015 Attachment O (MISO Schedule 9) rates posted
September - December	<ul style="list-style-type: none"> • IPL analysis and evaluation of ITC-M Attachment O rate for 2015 • IPL evaluation and feedback on ITC-M projects in MTEP 2015
November	IPL 2015 Transmission Rider Factors submitted to the Board
December	<ul style="list-style-type: none"> • IPL 2015 Transmission Rider Factors approval normally anticipated by the Board • MISO Board of Directors consideration for approval of MTEP 2014 projects

10. Conclusions

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

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

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

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

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

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

A notable example of results from such engagement that IPL highlights since the June Report is the July 18, 2013 FERC order granting IPL's complaint regarding the ITC-M Attachment FF policy on generator interconnections. IPL views this as a significant positive result achieved by IPL in the interest of IPL customers. IPL's earlier estimates indicated as much as \$140 million IPL customer cost savings from 2012-2016 were possible if the policy were changed, based on known and projected generator interconnection projects at the time IPL initiated its complaint.

Another highlight noted in this Report resulting from work since the June 2013 Report is the estimation of outage cost savings. Working with ITC-M, IPL has found in the first few years of ITC-M ownership and operation of the transmission system, the estimated outage cost savings to customers over the life of the assets are likely in the range of \$168-498 million in 2013 \$.

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

**Appendix 1 – AECS Comments to FERC on MISO and TOs Compliance Filing for
MISO Formula Rate Protocols (Docket No. ER13-2379-000)**

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Midcontinent Independent System
Operator, Inc.

)

Docket No. ER13-2379-000

**MOTION TO INTERVENE AND COMMENTS OF
ALLIANT ENERGY CORPORATE SERVICES, INC.**

Pursuant to Rules 212 and 214 of the Rules of Practice and Procedure of the Commission, 18 C.F.R. §§ 385.212 and 385.214, Alliant Energy Corporate Services, Inc. (“AECS”) respectfully files this motion to intervene and comments urging the Commission to direct MISO and the MISO Transmission Owners to revise their compliance filing to develop, incorporate and share in advance their protocols that define in detail the inputs used in determining *projected* Attachment O rates in advance of their implementation. Such practice will enable transmission customers and their end-use customers to be able to evaluate and influence future costs before the expenditures are made and not simply perform a review after the fact of the True-Up Adjustments based upon the review of historical information.

I. COMMUNICATIONS

AECS requests that all communications regarding this motion to intervene and supporting 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
E-Mail: CortlandtChoate@alliantenergy.com

John W. Weyer II
Manager – Transmission Services
Alliant Energy - Interstate Power & Light Co.
Street: 200 First St SE
Cedar Rapids, IA 52406
Telephone: 319-786-7112
E-Mail: JohnWeyer@alliantenergy.com

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AECS also requests that Messrs. Choate and Weyer be placed on the Commission's official service list for this docket.

II. MOTION TO INTERVENE

AECS is a service company affiliate of Interstate Power and Light Company ("IPL") and Wisconsin Power and Light Company ("WPL"), (collectively "Alliant Energy Operating Companies") and is authorized to act on behalf of the Alliant Energy Operating Companies. 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 in Iowa and Minnesota. WPL is a LSE that owns and operates electric facilities engaged in the generation, purchase, distribution and sale of electric power and energy in Wisconsin. Neither of the Alliant Energy Operating Companies owns or operates transmission facilities. The Alliant Energy Operating Companies are MISO market participants and incur costs associated with the purchase of transmission, capacity, energy, and ancillary market services within the MISO market.

AECS has a direct and substantial interest in this docket, and requests participation because the Alliant Energy Operating Companies will be directly affected by the outcome. AECS' participation is in the public interest due to the Alliant Energy Operating Companies' unique obligations as public utilities providing the sole source of electric service in their service territories. No other party can adequately represent the interests of AECS and the Alliant Energy Operating Companies before the Commission.

III. BACKGROUND

On May 17, 2012, pursuant to section 206 of the Federal Power Act ("FPA"), 16 U.S.C. § 824e, the Federal Energy Regulatory Commission ("FERC" or "Commission") instituted an investigation of formula rate protocols under the Midcontinent Independent System Operator,

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Inc.'s ("MISO") Open Access Transmission, Energy and Operating Reserve Markets Tariff ("Tariff") in Docket No. EL12-35-000. On May 16, 2013, the Commission issued an order¹ finding the formula rate protocols in the Tariff's Attachment O were unjust and unreasonable. In response to the May 16 Order, MISO and the MISO Transmission Owners ("TOs") submitted a compliance filing proposing revisions to MISO's Tariff to comply with the Commission's directives to make certain changes to the MISO formula rate protocols to ensure that proper information and processes are made available to entities that may challenge the TO rates to safeguard just and reasonable rates.

Attachment O is MISO's Transmission Owner formula rate template. Motivated in part by complaints as to the adequacy of formula rate protocols by certain state commissions in MISO's footprint, FERC initiated an investigation into MISO's Attachment O protocols, with specific focus on the areas of participation, transparency and challenge procedures.²

On June 22, 2012, IPL filed comments in the initial proceeding (in Docket No. EL12-35-000) supporting the increased participation and transparency, and improved challenge procedures related to Attachment O. IPL's comments noted the difficulty in challenging ITC Midwest, LLC's ("ITC Midwest") rates in the past due to the lack of information available under the existing procedures.

¹ *Midwest Independent Transmission System Operator, et.al.*, 143 FERC ¶ 61,149 (May 16, 2013) ("May 16 Order").

² The FERC-initiated 206 proceeding was originally in Docket No. EL12-35-000. The compliance filing, however, was docketed in No. ER13-2379-000. AECS respectfully submits its comments for consideration under the compliance docket, Docket No. ER13-2379-000.

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ITC Midwest and its affiliate operating companies filed comments on July 13, 2012 contrary to IPL's position, alleging that the status quo affords IPL adequate information to challenge ITC Midwest's rates.

In the May 16 Order, FERC found the individual TO formula rate protocols insufficient to ensure just and reasonable rates, and required MISO and the impacted TOs to make certain changes to their formula rate protocols within 60 days of the order's issuance.³ Specifically, the May 16 Order required the TOs to provide more support for information included in formula rates, and include a well-defined challenge process in the new protocols. Parties seeking to challenge the prudence of a TO's expenditures would still need to create a serious doubt as to the prudence of those expenditures before the burden of proof would shift to the transmission owner.

On September 13, 2013, MISO and the TOs filed their compliance filing ("September 13 Filing").⁴ In the September 13 Filing, MISO and the TOs, among other provisions, request the following:

- that definitive timelines are implemented for interested parties and TOs to have Information Exchanges, Informal Challenges, and Formal Challenges to TOs' annual net revenue requirement and True-Up Adjustments;
- that the Commission approve an agreement between the parties to comply with the requirement to provide additional information, including supporting documents and work papers for data that is not available in the FERC Form 1 or other applicable data source documents, that includes sufficient information to enable interested Parties to replicate the calculation of the formula results and identify any changes to the formula references;

³ On June 16, 2013, FERC granted a motion for an extension of time for parties to submit their compliance filing from August 13, 2013, to September 13, 2013.

⁴ Comments by interested parties were initially due to FERC on October 4, 2013; however, on September 26, 2013, FERC granted a 14-day extension of time for comments to be submitted in response to a request from the Organization of MISO States, Inc. (OMS). The new comment deadline is October 18, 2013.

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- that the Commission approve an agreement between the parties to make required annual informational filings to FERC showing that (1) input data to formula rates are properly recorded in any underlying work papers; (2) TOs have properly applied the formula rate and the procedures in the protocols; (3) the data and the consistency with the formula rate of the actual revenue requirement and rates (including any True-Up Adjustment) under review are accurate; (4) the extent to which accounting changes affect formula rate inputs; and (5) the reasonableness of projected costs are included in the projected capital addition expenditures;
- that the Commission approve the proposal to provide illustrative examples of the revised protocols and red-lined versions of the MISO Attachment O to comply with the FERC May 16 Order.

MISO and the TOs request that the revised protocols become effective January 1, 2014.

MISO and the TOs also state that, due to the expected time that FERC would need to act on the compliance filing, the parties do not expect that the revised procedures and timelines will be applied until June 1, 2014.

IV. COMMENTS

From AECS's evaluation of the September 13 Filing, the filing has one glaring deficiency in that it fails to enable transmission customers, such as IPL and WPL, to be able to evaluate and influence future costs on behalf of their end-use customers. In order to evaluate and influence such costs on behalf of customers, a greater understanding of the reasonableness, prudence, and anticipated benefits of *projected rates* is needed. Detailed information from the TOs concerning the proposed business case and system benefits for projects making up next year's projected rate is needed to enable such an evaluation. Such information would provide IPL, WPL, and other transmission customers and their end-use customers with additional confidence that the formula rates are reasonable and prudent going forward. Although the TOs are providing greater transparency with respect to the True-Up Adjustment, which is an improvement over the existing

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protocols, it does not compensate for the lack of greater understanding and detail needed when determining the reasonableness, prudence, and anticipated benefits of projected rates.

It is a major concern of AECS that, for TOs with forward-looking tariffs such as ITC Midwest and ATC, the September 13 Filing focuses on the True-Up Adjustment and readily available and reviewable historical information, instead of insight into the business case and benefits from the next year's projected rate.

Although it is certainly appropriate to thoroughly examine the actual historical rates paid in the prior year for prudence and reasonableness, transmission customers are also very concerned about the *projected* rates and the lack of transparency with regard to the underlying work plan, rationale, business case and benefits (quantified to the extent possible), especially during times when rates have increased significantly. Once expended, the ability to scrutinize the actual spend is useful, but less influential on the prudence and reasonableness of future transmission investment and expense.

AECS requests that the TOs provide more supporting evidence that the anticipated benefits associated with increases in transmission costs are quantified, and that the anticipated benefits to be received by end-use customers are commensurate with the expected costs to be paid.⁵

Subject to the noted deficiency, the compliance filing is an improvement over the existing protocols because the timelines and processes for the posting of information, questions, and challenges are more clearly defined and are to a certain extent applicable to projected rates as well. Appropriate protocols provide defined processes and timelines that allow entities to request

⁵ IPL submitted comments that mentioned this same request in the underlying proceeding, in Docket No. EL12-35-000.

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information and voice concerns when there are questions regarding Attachment O rates. AECS appreciates these improvements to the proposed protocols in the interest of greater transparency and expects the proposed protocols will provide additional insight into the Attachment O rate components. Again, however, with respect to *projected* rates, it remains unclear to what extent the additional information will provide IPL, WPL, and other transmission customers with confidence in formula rates being reasonable, prudent, and beneficial to customers on a going forward basis.

WHEREFORE, for the reasons discussed above, AECS respectfully requests that the Commission grant its motion to intervene in this proceeding and require MISO and the Transmission Owners to revise their compliance filing in accordance with the comments filed herein.

Respectfully submitted,

Alliant Energy Corporate Services, Inc.

/s/ Cortlandt C. Choate, Jr.

Cortlandt C. Choate, Jr.
Senior Attorney
Alliant Energy Corporate Services, Inc.

October 18, 2013

CERTIFICATE OF SERVICE

In accordance with 18 C.F.R. § 385.2010, I hereby certify that I have on this 18th day of October, 2013, caused a copy of the foregoing Motion to Intervene and Comments of Alliant Energy Corporate Services, Inc. to be sent to each person designated on the official service list compiled by the Secretary of the Commission in Docket Number ER13-2379-000.

/s/ Cortlandt C. Choate, Jr.

Cortlandt C. Choate, Jr.
Senior Attorney
Alliant Energy Corporate Services, Inc.

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

144 FERC ¶ 61,052
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

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

Interstate Power and Light Company

v.

Docket No. EL12-104-000

ITC Midwest, LLC

ORDER GRANTING COMPLAINT

(Issued July 18, 2013)

1. On September 14, 2012, Interstate Power and Light Company (IPL) filed a complaint against ITC Midwest, LLC (ITCM) pursuant to section 206 of the Federal Power Act (FPA),¹ seeking to change a provision of Attachment FF of the Midwest Independent Transmission System Operator, Inc.'s (MISO)² Open Access Transmission, Energy and Operating Reserve Markets Tariff (MISO Tariff), under which ITCM generator interconnection customers may be able to receive reimbursement from ITCM of 100 percent of their interconnection-related network upgrade costs. As discussed below, the Commission grants the relief requested in IPL's complaint, effective as of the date of this order, and directs MISO, on behalf of ITCM, to revise Attachment FF of the MISO Tariff to conform MISO's policy for reimbursing generator interconnection customers for network upgrade costs in the ITCM zone to the generator interconnection cost recovery provisions applicable to most other MISO pricing zones, in which such customers may receive up to 10 percent reimbursement for those costs.

¹ 16 U.S.C. § 824e (2006).

² Effective April 26, 2013, MISO changed its name from "Midwest Independent Transmission System Operator, Inc." to "Midcontinent Independent System Operator, Inc."

I. Background**A. IPL and ITCM**

2. IPL is a public utility that serves electric retail customers in Iowa and Minnesota and 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 a subsidiary of ITC Holdings Corp., which also owns International Transmission Company (ITC), Michigan Electric Transmission Company, LLC (METC), and ITC Great Plains, LLC. Through its subsidiaries, ITC Holdings Corp. operates in Michigan, Iowa, Minnesota, Illinois, Missouri, Kansas and Oklahoma.

3. 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 Commission approval of the transaction under section 203 of the FPA³ as well as 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.

B. Reimbursement for Network Upgrade Costs Related to Generator Interconnection Projects

4. In Order No. 2003, the Commission formalized its policy to provide 100 percent reimbursement for a generator interconnection customer's network upgrade costs, but also permitted independent transmission providers to propose to reduce such reimbursement, i.e., to propose that the generator interconnection customer be required to fund all or part of its network upgrades.⁴ In its Order No. 2003 compliance filing, MISO instituted the Commission's 100 percent reimbursement policy.

³ 16 U.S.C. § 824b (2006); *ITC Holdings Corp.*, 121 FERC ¶ 61,229 (2007) (*ITC Holdings*). In *ITC Holdings*, the Commission also accepted the applicants' proposed rates and certain agreements under section 205 of the FPA, subject to certain conditions.

⁴ *Standardization of Generator Interconnection Agreements and Procedures*, Order No. 2003, FERC Stats. & Regs. ¶ 31,146 (2003), *order on reh'g*, Order No. 2003-A, FERC Stats. & Regs. ¶ 31,160, *order on reh'g*, Order No. 2003-B, FERC Stats. & Regs. ¶ 31,171 (2004), *order on reh'g*, Order No. 2003-C, FERC Stats. & Regs. ¶ 31,190 (2005), *aff'd sub nom. Nat'l Ass'n of Regulatory Util. Comm'rs v. FERC*, 475 F.3d 1277, 374 U.S. App. D.C. 406 (D.C. Cir. 2007), *cert. denied*, 552 U.S. 1230, 128 S. Ct. 1468, 170 L. Ed. 2d 275 (2008).

5. In 2006, the Commission accepted MISO's Regional Expansion Criteria and Benefits proposal to provide for 50 percent reimbursement to a generator interconnection customer for its network upgrade costs where such interconnection customer qualified for any reimbursement.⁵ In order to receive 50 percent reimbursement, the generator interconnection customer would have to, among other things, demonstrate that it has a contractual commitment to serve load in the MISO footprint for a period of at least one year or that the generator was designated as a Network Resource.⁶ If the network upgrade was classified below 345 kV, costs for the reimbursed amount were allocated to transmission delivery service customers serving load in MISO based entirely on load flow analysis (Line Outage Distribution Factor).⁷ If the network upgrade was classified at or above 345 kV, costs for the reimbursed amount were allocated to transmission delivery service customers serving load in MISO based on a combination of the Line Outage Distribution Factor analysis and system-wide *pro rata* cost sharing.⁸ Where a generator interconnection customer failed to qualify for reimbursement, it would be responsible for 100 percent of its network upgrade costs.

6. However, in 2008, the Commission accepted proposals by American Transmission Company, LLC (ATC), ITC/METC, and ITCM to reinstate 100 percent reimbursement for generator interconnection customers in their pricing zones,⁹ with 50 percent of the reimbursement recovered from the transmission service customers in the zone where the generator interconnected.¹⁰ Later, in 2009, the Commission accepted a

⁵ *Midwest Indep. Transmission Sys. Operator, Inc.*, 114 FERC ¶ 61,106 (RECB I Order), *order on reh'g*, 117 FERC ¶ 61,241 (2006), *aff'd sub nom. Pub. Serv. Comm'n. of Wis. v. FERC*, 545 F.3d 1058 (D.C. Cir. 2008).

⁶ Defined terms in this order, unless otherwise indicated, are defined as provided in the MISO Tariff.

⁷ MISO Tariff, Attachment FF § III.A.2.c.i. In practice, the Line Outage Distribution Factor methodology allocates the costs of the network upgrades largely to the customers serving load in the zone where the upgrades are located.

⁸ MISO Tariff, Attachment FF § III.A.2.c.ii.

⁹ *American Transmission Co., LLC*, 120 FERC ¶ 61,221 (2007) (ATC Order), *reh'g denied*, 123 FERC ¶ 61,065 (2008); *see also Int'l Transmission Co.*, 120 FERC ¶ 61,220 (2007) (ITC/METC Order), *reh'g denied*, 123 FERC ¶ 61,065 (2008); *ITC Midwest, LLC*, 124 FERC ¶ 61,150 (2008) (ITCM Order). The combined rehearing of the ATC Order and the ITC/METC Order is referred to herein as the "ATC & ITC/METC Rehearing Order."

¹⁰ MISO Tariff, Attachment FF § III.A.2.d.4(d).

MISO proposal to reduce the degree of reimbursement in the MISO footprint—but outside of the ATC, ITC/METC and ITCM pricing zones¹¹—due to location specific outcomes from applying the existing reimbursement policy in the service territories of Otter Tail Power Company (Otter Tail) and Montana-Dakota Utilities Company (Montana-Dakota Utilities).¹² Because MISO did not propose to change the 100 percent reimbursement methodology in the ATC, ITC/METC, and ITCM zones, the Commission found that requests by other parties to reduce reimbursement for generator interconnection customers in those zones were outside the scope of that proceeding.¹³ Thus, outside of the ATC, ITC/METC, and ITCM pricing zones, reimbursement to generator interconnection customers was reduced from 50 percent to 10 percent for network upgrades rated at or above 345 kV, with no reimbursement for network upgrades rated less than 345 kV.

II. Notices of Filing and Responsive Pleadings

7. Notice of the complaint was published in the *Federal Register*, 77 Fed. Reg. 58,823 (2012), with interventions and protests due on or before October 4, 2012. Timely motions to intervene were filed by Central Iowa Power Cooperative; Dairyland Power Cooperative; EDP Renewables North America LLC; Geronimo Wind Energy; Great River Energy; Jo-Carroll Energy, Inc.; MISO; MISO Transmission Owners;¹⁴ Missouri

¹¹ *Midwest Indep. Transmission Sys. Operator, Inc.*, 129 FERC ¶ 61,060 (2009) (Otter Tail/MDU Order). This methodology was originally accepted on an interim basis but accepted by the Commission on a permanent basis in MISO's Multi-Value Project cost allocation proceeding. *See Midwest Indep. Transmission Sys. Operator, Inc.*, 133 FERC ¶ 61,221, at P 332 (2010).

¹² Specifically, the Commission held that the underlying assumption of the 50 percent reimbursement methodology and associated allocation based on the Line Outage Distribution Factor analysis (i.e., that generation and load are approximately equal in size and distribution and that local generation would be generally utilized to serve local load) no longer held. Otter Tail/MDU Order, 129 FERC ¶ 61,060.

¹³ *Id.* PP 51, 77, 81.

¹⁴ For purposes of this proceeding, the MISO Transmission Owners consist of: Ameren Services Company, as agent for Union Electric Company d/b/a Ameren Missouri, Ameren Illinois Company d/b/a Ameren Illinois and Ameren Transmission Company of Illinois; ATC; Big Rivers Electric Corporation; Central Minnesota Municipal Power Agency; City Water, Light & Power (Springfield, IL); Dairyland Power Cooperative; Duke Energy Corporation for Duke Energy Indiana, Inc.; Hoosier Energy Rural Electric Cooperative, Inc.; Indiana Municipal Power Agency; Indianapolis Power
(continued...)

River Energy Services, Inc.; National Rural Electric Cooperative Association; NextEra Energy Resources, LLC; PSEG Companies; and Southern Minnesota Municipal Power Agency.

8. Timely notices of intervention and comments in support of the complaint were filed by the Iowa Utilities Board; and jointly by the Minnesota Public Utilities Commission and the Minnesota Department of Commerce (Minnesota Agencies).¹⁵ Timely motions to intervene and comments in support of the complaint were filed by Iowa Consumers Coalition; Iowa Office of Consumer Advocate; Northeast Missouri Electric Power Cooperative (Northeast Power); Resale Power Group of Iowa; and The Detroit Edison Company (Detroit Edison). Consumers Energy Company (Consumers Energy) timely filed its motion to intervene but submitted comments out-of-time on October 18, 2012.

9. Timely motions to intervene and comments urging the Commission to dismiss the complaint were filed jointly by American Wind Energy Association and Wind on the Wires (AWEA & WOW); and by Iberdrola Renewables, LLC (Iberdrola). EDF Renewable Energy, Inc. (EDF Renewable Energy) filed its motion to intervene one day out-of-time and submitted comments out-of-time opposing the complaint on October 19, 2012.

10. MidAmerican Energy Company (MidAmerican) timely filed a motion to intervene and comments stating that it offers no opinion on the merits of the complaint but limits its comments to the effect of the complaint on existing generator interconnection agreements (GIAs).

11. On October 4, 2012, ITCM timely filed its answer to the complaint. On October 22, 2012, IPL filed an answer to ITCM's answer; and on November 6, 2012, ITCM filed an answer to IPL's answer.

& Light Company; MidAmerican Energy Company; Minnesota Power (and its subsidiary Superior Water, L&P); Montana-Dakota Utilities; Northern Indiana Public Service Company; Northern States Power Company, a Minnesota corporation, and Northern States Power Company, a Wisconsin corporation, subsidiaries of Xcel Energy Inc.; Northwestern Wisconsin Electric Company; Otter Tail; Southern Illinois Power Cooperative; Southern Indiana Gas & Electric Company (d/b/a Vectren Energy Delivery of Indiana); Southern Minnesota Municipal Power Agency; Wabash Valley Power Association, Inc.; and Wolverine Power Supply Cooperative, Inc.

¹⁵ The Minnesota Department of Commerce filed a motion to intervene along with joint comments and the notice of intervention by the Minnesota Public Utilities Commission.

III. Procedural Matters

12. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2012), the notices of intervention and timely, unopposed motions to intervene serve to make the entities that file them parties to this proceeding. Pursuant to Rule 214(d) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2012), we will grant EDF Renewable Energy's out-of-time motion to intervene given its interest in the proceeding, the early stage of the proceeding, and the absence of undue prejudice or delay.

13. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2012), prohibits an answer to an answer unless otherwise ordered by the decisional authority. We are not persuaded to accept IPL's or ITCM's answers and will, therefore, reject them.

IV. Substantive Matters

A. Complaint

14. In its complaint, IPL states that it is the largest customer in the ITCM pricing zone, constituting approximately 88 percent of network load, and because ITCM reimburses its generator interconnection customers 100 percent for all generator interconnection-related network upgrades,¹⁶ IPL paid approximately \$44.7 million in generator interconnection-related network upgrade costs to ITCM from 2008 to 2011.¹⁷ In contrast, IPL estimates that it would have been responsible for only \$12.3 million in generator interconnection-related network upgrade costs during the same period if ITCM utilized the same reimbursement methodology applicable in most other MISO pricing zones.¹⁸ As a result, IPL argues that the \$32.4 million in incremental costs attributable to the difference in generator interconnection customer reimbursement policies represents

¹⁶ ITCM passes these costs through formula rates to transmission service customers. IPL Complaint at 3-4.

¹⁷ *Id.* at 4.

¹⁸ *Id.* (citing MISO Tariff, Attachment FF §§ III.A.2.d.1 (stating that for network upgrades "above 345 kV, the Interconnection Customer shall be repaid 10 percent of the costs of the Generation Interconnection Project funded by the Interconnection Customer once Commercial Operation is achieved"))).

an unfair burden on IPL and its retail customers especially in relation to the “insignificant benefits” provided by those interconnection-related network upgrades.¹⁹

15. In addition to the costs already incurred, IPL states that it is also facing significant cost exposure for future interconnection-related network upgrades. Specifically, IPL states that ITCM lists \$153 million in new generator interconnection costs in its capital plan for the 2012 to 2016 time period.²⁰ IPL estimates that it and its customers will be responsible for approximately \$138.1 million in costs arising from those network upgrades, compared to \$18.1 million in expenses for which they would be responsible if MISO’s generally applicable interconnection reimbursement policy were applied instead.²¹ Simply stated, IPL claims that the effect of MISO’s generator interconnection reimbursement policy in the ITCM pricing zone is to cause IPL and its customers to pay approximately \$170.5 million more in incremental costs over the eight-year period between 2008 and 2016 than if MISO’s generally applicable reimbursement policy applied.²² IPL posits that if the cost of the generator interconnection-related network upgrades in the ITCM pricing zone were more modest and resulted in a smaller cost shift from ITCM’s interconnection service customers to IPL and its retail customers, then the cost shift could be considered discriminatory, but not unduly discriminatory.²³

16. IPL also challenges the assumption that it and its customers are obtaining benefits that are commensurate with the cost incurred. Specifically, IPL states it has no evidence that: (1) overall transmission system reliability has materially improved as a result of the generator interconnection-related network upgrades for which ITCM reimbursed its generator interconnection customers 100 percent of their costs; (2) it or any other generator in the ITCM pricing zone has experienced an improved ability to export power due to counterflows; (3) locational marginal prices have been materially reduced as a result of generation interconnected through reimbursable generator interconnection-related network upgrades; or (4) any other significant benefit has accrued to IPL or its

¹⁹ *Id.* at 5.

²⁰ *Id.* at 8 (citing 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, page 12).

²¹ *Id.* at 8-9.

²² IPL Complaint, Affidavit of Randy Bauer at 3.

²³ IPL Complaint at 13.

customers.²⁴ IPL notes that most of the network upgrades associated with generator interconnections within the ITCM footprint from 2008 to 2011 have been “breaker additions, switching stations, or line taps,” which it asserts do not improve overall system reliability and only serve to allow for the interconnection of the generator with the transmission system.²⁵

17. While IPL acknowledges that it has seen a general reduction in the number of sustained transmission outages since 2009, IPL does not believe it is closely correlated to the generator interconnections made since then, but rather, it arises from network improvements made by ITCM that are unrelated to generator interconnections.²⁶ Similarly, while noting that it has seen a reduction in locational marginal prices following the recent economic downturn, IPL states that this reduction is not related to either the interconnection of generators in the ITCM footprint or the associated network upgrades.²⁷ Thus, IPL states that it and its customers have not experienced benefits commensurate with the materially large cost of generator interconnection-related network upgrades they are required to pay.²⁸

18. In addition, IPL argues that its complaint is not a collateral attack on the Commission’s authority to accept the generator interconnection reimbursement policy in the ITCM pricing zone, but rather is directed at the outcome of this policy that as applied to IPL and its customers is unduly discriminatory.²⁹ IPL states that the Commission has acknowledged the right of transmission customers to file a complaint with the Commission under section 206 of the FPA if the application of a cost allocation provision under a tariff results in an unduly discriminatory outcome, and in the context of that complaint, the Commission will assess the merits of the customer’s claim.³⁰

²⁴ *Id.* at 14.

²⁵ *Id.*

²⁶ *Id.* at 14-15.

²⁷ *Id.* at 15.

²⁸ *Id.*

²⁹ *Id.* at 10-11.

³⁰ *Id.* at 11 (citing ITC/METC Order, 120 FERC ¶ 61,220 at P 17).

19. In conclusion, IPL requests the Commission to grant its 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. IPL further requests that if the Commission 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.³¹

B. ITCM's Answer

20. In its answer, ITCM contends that IPL has not met its burden of proof under section 206 of the FPA because IPL failed to provide substantial evidence supporting its contention that the ITCM reimbursement policy is unduly discriminatory as applied to IPL and its customers. Therefore, ITCM states that the complaint should be dismissed.³² ITCM also maintains that its generator interconnection reimbursement policy is just and reasonable and not unduly discriminatory.³³

21. Regarding IPL's burden of proof, ITCM states that IPL asserts it has not benefitted from any reliability improvements or lower energy prices as a result of the generator interconnection-related network upgrades, but fails to provide evidence supporting these claims.³⁴ ITCM notes that IPL acknowledged it has experienced lower locational marginal prices, but that IPL attributed these to a downturn in the economy rather than to increases in generation supported by the reimbursement policy.³⁵ ITCM notes that IPL provided no study or other evidence to support this claim.³⁶ On the contrary, ITCM states that IPL could benefit from increased local generation because locational marginal prices would be reduced at the interconnection site.³⁷ ITCM also counters that IPL's argument runs contrary to the Commission's policy that looks beyond the entity that

³¹ *Id.* at 18.

³² ITCM Answer to Complaint at 14.

³³ *Id.* at 19.

³⁴ *Id.* at 15-16.

³⁵ *Id.* at 17.

³⁶ *Id.* at 17-18.

³⁷ *Id.*

purchases power from the new generator, and considers both reliability and competitive benefits from a stronger transmission infrastructure.³⁸

22. ITCM maintains that its reimbursement policy is just and reasonable and not unduly discriminatory. ITCM argues that the Commission has upheld 100 percent reimbursement policies as a means to increase competition in bulk power markets and help ensure reliability and just and reasonable prices.³⁹ Specifically, ITCM states that its policy “allows new resources to compete on a level playing field with: (1) older generating facilities owned by the incumbent, vertically-integrated MISO members that included their interconnection costs in transmission rates; (2) old and new generating facilities outside of MISO that apply the Order No. 2003 policy of 100 percent reimbursement for Network Upgrade costs; (3) new generating facilities within the other MISO zones that apply the 100 percent Network Upgrade reimbursement policy; and (4) newer projects, such as those owned by IPL affiliates, that have benefited from the ITCM policy of reimbursement for Network Upgrade costs.”⁴⁰ According to ITCM, its reimbursement policy also helps further Iowa’s renewable portfolio by encouraging investment in transmission.⁴¹

23. ITCM believes that IPL does in fact benefit from transmission system upgrades. ITCM states that network upgrades required for new generators “are part and parcel to rehabilitation in the historic underinvestment in the [ITCM] transmission system.”⁴² ITCM also states that nearly 70 percent of the reimbursable costs (approximately \$89.5 million out of a total of \$129 million) have been for network upgrades that increase the capacity of the transmission system, including approximately 97 miles of lines that have

³⁸ *Id.* at 16 (citing Order No. 2003-A, FERC Stats. & Regs. ¶ 31,160 at P 584). ITCM states that this approach was supported by the Court of Appeals for the D.C. Circuit, which said “[t]he Commission’s rationale for crediting network upgrades, based on a less cramped view of what constitutes a ‘benefit,’ reflects [the Commission’s] policy determination that a competitive transmission system, with barriers to entry removed or reduced, is in the public interest.” *Entergy Servs., Inc. v. FERC*, 319 F.3d 536, 543-44 (D.C. Cir. 2003).

³⁹ ITCM Answer to Complaint at 20-21 (citing Order No. 2003, FERC Stats. & Regs. ¶ 31,146 at P 694).

⁴⁰ *Id.* at 20.

⁴¹ *Id.* at 21.

⁴² *Id.* at 23.

been reconstructed for generator interconnection projects.⁴³ According to ITCM, this stands in contrast to IPL's assertion that most of the projects identified as network upgrades and associated with generator interconnection projects within the ITCM pricing zone are breaker additions, switching stations, or line taps that provide "no improvement to overall system reliability."⁴⁴ ITCM also argues that a portion of the costs allocated to IPL are directly related to IPL's own generation costs.⁴⁵

24. ITCM maintains that IPL exaggerated some of the costs it claims to have paid under the reimbursement policy. In May 2010, ITCM calculated that \$24,094,016 in rate base was due to the difference between the application of the Regional Expansion Criteria and Benefits policy if IPL had continued to own the system and what was reflected due to ITCM's reimbursement policies.⁴⁶ According to ITCM, this difference equated to a \$0.17 monthly rate increase for the average residential customer served by IPL during the first year of investment, an amount that ITCM asserts is not a "huge" cost shift.⁴⁷

25. ITCM argues that its reimbursement policy promotes a more efficient transmission planning process because it allows ITCM to plan based upon the best configuration for improvement rather than the lowest cost that would be paid by the generator

⁴³ *Id.* at 24.

⁴⁴ *Id.* at 25 (citing IPL Complaint at 14).

⁴⁵ *Id.* at 24-25. ITCM identifies projects of IPL affiliate, Wisconsin Power and Light, receiving, or eligible to receive, 100 percent reimbursement for network upgrades under the ITCM pricing zone reimbursement policy (Whispering Willow Wind Farm – \$2.866 million; and Bent Tree Wind Farm – \$3.516 million and \$10.744 million). *Id.* (citing ITCM Answer to Complaint, Affidavit of Doug Collins at P 13). ITCM also states that under the MISO Tariff, IPL could have elected to self-fund these improvements and not have included the costs in ITCM's zonal rates under the 100 percent reimbursement policy. *Id.* at 25.

⁴⁶ *Id.* at 27.

⁴⁷ *Id.* ITCM also states, among other things, that the "incremental cost of Attachment FF for 2011 as calculated by IPL is \$15,068,424, or 1 percent of IPL's most-recently approved retail revenue requirements." According to ITCM, a "retail revenue requirement impact of 1 percent cannot be considered 'huge.'" *Id.* at 27.

interconnection customer.⁴⁸ ITCM also states that, should the Commission decide to set the matter for hearing or investigation, any relief should be prospective.⁴⁹

C. Comments

26. AWEA & WOW, EDF Renewable Energy, and Iberdrola urge the Commission to dismiss the complaint and uphold the ITCM reimbursement policy. AWEA & WOW argue that the complaint should be dismissed outright because IPL has failed to proffer substantial evidence to satisfy its burden of proof that ITCM's reimbursement policy is unjust and unreasonable.⁵⁰ AWEA & WOW also note that the 100 percent reimbursement policy is consistent with Order No. 2003 and is used by other Regional Transmission Organizations (RTOs) such as the Southwest Power Pool.⁵¹ AWEA & WOW, EDF Renewable Energy and Iberdrola note various benefits from ITCM's policy. For example, AWEA & WOW and Iberdrola state that IPL and its customers have experienced both improvements in reliability and reduced energy prices.⁵² AWEA & WOW, EDF Renewable Energy and Iberdrola also note that various policy objectives are achieved through this reimbursement policy, such as removing the disincentive to investing in new projects,⁵³ promoting renewables, increasing competition, and ensuring equal treatment of all interconnection customers.⁵⁴ Finally, AWEA & WOW believe the complaint constitutes a collateral attack on the Commission's prior acceptance of the 100 percent ITCM generator interconnection reimbursement policy because at the time this decision was made, MISO had different network upgrade cost allocation policies in its different pricing zones, and there have not been any material changes since that time.⁵⁵

27. Consumers Energy, Detroit Edison, Iowa Consumers Coalition, Minnesota Agencies, and Northeast Power support the complaint and argue that IPL and its

⁴⁸ *Id.* at 28.

⁴⁹ *Id.* at 29.

⁵⁰ AWEA & WOW Comments at 4.

⁵¹ *Id.* at 5.

⁵² *Id.* at 5-6; Iberdrola Comments at 3.

⁵³ Iberdrola Comments at 2-3.

⁵⁴ AWEA & WOW Comments at 5; EDF Renewable Energy Comments at 2.

⁵⁵ AWEA & WOW Comments at 5.

customers have paid excessive costs while failing to receive commensurate benefits such as improved reliability or reduced power supply costs.⁵⁶ In particular, Minnesota Agencies and Northeast Power state that their customers are forced to bear unfair costs associated with the ITCM reimbursement policy and have not received additional benefits, whereas customers in other pricing zones pay for 10 percent of generation interconnection costs.⁵⁷ Consumers Energy states that paying increased costs without receiving commensurate benefits is inconsistent with an “important objective” of Commission policy to protect existing transmission customers from “adverse rate implications associated with Interconnection Facilities and Network Upgrades required to interconnect a new Generating Facility.”⁵⁸ Minnesota Agencies assert that another negative aspect of the ITCM policy is that it leads to “the distortion in incentives as to where new facilities are located.”⁵⁹

28. Minnesota Agencies state that there are four utilities in Minnesota that have joined MISO, and three of them are located in the 10 percent generator interconnection reimbursement pricing zones, and one, IPL, is located in the ITCM pricing zone where 100 percent of generation interconnection costs are charged to load.⁶⁰ Minnesota Agencies assert that there is no reasonable justification to support this different treatment of IPL and its customers, which resulted in an estimated \$32 million in additional costs to IPL and its customers for 2008 to 2011, when all of these entities are located in the MISO footprint and with no additional benefits to these IPL customers.⁶¹

29. Minnesota Agencies note that MISO moved from an allocation of 50 percent of cost to load and 50 percent to the interconnection customer, to an allocation of 10 percent to load for facilities that are 345 kV and higher and 90 percent to the interconnection customer. Minnesota Agencies argue that it was necessary to ensure that entities and their load in the northwestern part of the MISO footprint were not charged excessive

⁵⁶ Consumers Energy Comments at 3; Detroit Edison Comments at 3; Iowa Consumers Coalition Comments at 3-4; Minnesota Agencies Comments at 3; Northeast Power Comments at 4-5.

⁵⁷ Minnesota Agencies Comments at 3; Northeast Power Comments at 4-5.

⁵⁸ Consumers Energy Comments at 3-4 (citing Order No. 2003-B, FERC Stats. & Regs. ¶ 31,171 at P 56).

⁵⁹ Minnesota Agencies Comments at 3.

⁶⁰ *Id.*

⁶¹ *Id.*

amounts of generation interconnection costs for a significant amount of generation seeking to interconnect in that area, but destined to serve load outside the area.⁶² Minnesota Agencies state that the 10 percent generator interconnection reimbursement policy was reasonable because the generator, which would bear 90 percent of the costs, “was in a better position to pass on these costs to the entities that benefitted from the generation facilities (and not simply to allocate the costs to the closest local load, which may derive little benefit from the facilities).”⁶³

30. Similarly, Resale Power Group of Iowa supports the IPL complaint and expresses concern that the ITCM policy could ultimately lead to the loss of Resale Power Group of Iowa customers to other pricing zones. Resale Power Group of Iowa states that ITCM’s zonal rate for network transmission service will be \$7.80/kW-month in January 2013, whereas this service will be \$2.06/kW-month in the MidAmerican pricing zone.⁶⁴ Resale Power Group of Iowa believes it is at risk of losing power supply municipal utility customers to neighboring non-jurisdictional electric cooperatives that have transmission facilities embedded in MISO and are insulated from paying ITCM transmission charges under grandfathered service agreements or are able to interconnect to adjacent transmission pricing zones and effectively disconnect from the ITCM zone.⁶⁵ Resale Power Group of Iowa states that these suppliers “have a competitive advantage with respect to the cost of delivered power because they are not saddled with ITCM’s disproportionately high transmission charges.”⁶⁶

31. Resale Power Group of Iowa also states that the ITCM reimbursement policy is unjust and unreasonable because generation in the ITCM pricing zone largely exceeds load in that zone.⁶⁷ Resale Power Group of Iowa argues that the instant case is not unlike

⁶² *Id.*

⁶³ *Id.* at 4.

⁶⁴ Resale Power Group of Iowa Comments at 3.

⁶⁵ *Id.* at 8.

⁶⁶ *Id.* at 8-9.

⁶⁷ Resale Power Group of Iowa states that “[a]s of September 28, 2012, ITCM still has more pending generator interconnections in the queue (3,442.25 MW) than zonal load (2,911 MW).” *Id.* at 7 (citing MISO, <https://www.midwestiso.org/Planning/GeneratorInterconnection/Pages/InterconnectionQueue.aspx> (last visited Oct. 3, 2012) and MISO, <http://oasis.midwestiso.org/documents/itcm/ITCMW%202013%20Proj%20Attmnts%20O%20GG%20MM.pdf> (last visited Oct. 3, 2012)).

the situation that arose with Otter Tail and Montana-Dakota Utilities in 2009.⁶⁸ There, according to Resale Power Group of Iowa, the Commission reduced the 50 percent generator interconnection reimbursement policy for all of MISO (except for independent transmission companies) because of the disparity between the amount of generation in the Otter Tail and Montana-Dakota Utilities pricing zones and the amount of load in those zones.⁶⁹ Resale Power Group of Iowa contends that “the only MISO transmission owners not to adopt the MISO Tariff Attachment FF’s 10 percent default GIP [generator interconnection project] reimbursement provisions in 2009—a measure which was designed to protect load from the unintended consequences of location-constrained generation resources—were those transmission owners with no load of their own to protect.”⁷⁰ According to Resale Power Group of Iowa, if the Commission found the 50 percent generator interconnection reimbursement policy to be unjust and unreasonable, especially where there is a disparity between generation and native load, Resale Power Group of Iowa believes that ITCM’s 100 percent reimbursement policy should also be found unjust and unreasonable.⁷¹

32. MidAmerican filed comments with the Commission but declined to offer an opinion on the merits of the complaint, and it instead discussed the effect of the complaint on existing GIAs. MidAmerican states that if changes are made to ITCM’s reimbursement policy, they should only apply prospectively to GIAs that are not yet effective.⁷² Alternatively, if existing GIAs must be amended, the reimbursement policy should only apply to the incremental network upgrades associated with the amendment and not to network upgrades in the original GIA.⁷³

D. Commission Determination

33. As explained below, we grant the complaint. The Commission finds that ITCM’s interconnection reimbursement policy, in the context of MISO’s zonal rate structure, results in an improper subsidy and is therefore unjust, unreasonable and unduly discriminatory or preferential.

⁶⁸ *Id.* at 2, 6.

⁶⁹ *Id.* at 6-7.

⁷⁰ *Id.* at 7.

⁷¹ *Id.*

⁷² MidAmerican Comments at 3.

⁷³ *Id.*

1. Order No. 2003 Reimbursement Policy

34. Under the Order No. 2003 reimbursement policy for transmission providers, the generator interconnection customer funds the cost of the network upgrades needed for its interconnection up-front as those upgrades are constructed.⁷⁴ The generator interconnection customer is, in turn, entitled to a cash repayment of such amounts paid to the transmission provider,⁷⁵ to be repaid to the generator interconnection customer on a dollar-for-dollar basis for the non-usage sensitive portion of transmission charges (i.e., the demand charges that recover fixed transmission costs), as payments of such charges are made under the transmission provider's tariff for transmission services with respect to the generating facility.⁷⁶ The generator interconnection customer and transmission provider may adopt any alternative payment schedule that is mutually agreeable,⁷⁷ provided that all amounts advanced for network upgrades must be repaid to the generator interconnection customer within 20 years from the generating facility's commercial operation date.⁷⁸

35. In Order No. 2003-A, the Commission clarified that in recovering these network upgrade costs, transmission providers are allowed to charge the generator interconnection customer the "higher-of" either incremental costs of network upgrades under the "but

⁷⁴ Order No. 2003, FERC Stats. & Regs. ¶ 31,146 at P 676.

⁷⁵ For purposes of this discussion, the term "transmission provider" refers to the transmission owner. In the RTO context, "Transmission Provider" typically refers to the RTO itself, in this case MISO. Because Order No. 2003 applies in both RTO and non-RTO contexts, however, Order No. 2003 defines "Transmission Provider" as "[t]he entity (or entities) with which the Generating Facility is interconnecting" (*id.* n.3), and "Transmission Provider" includes the "Transmission Owner" as well (*id.* P 75). Accordingly, these provisions also refer to ITCM, which is a transmission owner in MISO and the entity with which generators interconnect in the ITCM pricing zone of MISO.

⁷⁶ *Id.* P 676. Such repayment includes interest calculated in accordance with the methodology set forth in the Commission's regulations at 18 C.F.R. 35.19a(a)(2)(ii) (2012) from the date of any payment for the network upgrades through the date on which the generator interconnection customer receives a repayment of such payment. *Id.*

⁷⁷ *Id.* P 720.

⁷⁸ Order No. 2003-B, FERC Stats. & Regs. ¶ 31,171 at PP 36-37.

for” test or the embedded cost transmission charge.⁷⁹ In Order No. 2003-B, the Commission provided that transmission providers or their existing transmission customers could file on a case-by-case basis to demonstrate that this pricing policy results in an improper subsidy by the transmission provider’s native load and other customers; however, the Commission stated that it could not envision that such a subsidy could ever occur because, as explained below, the “higher-of” policy was designed to avoid such a situation.⁸⁰ Therefore, as described in these orders, the two major customer protections from improper subsidy are: (1) “higher-of” pricing; and (2) the ability to demonstrate on a case-by-case basis that “higher-of” pricing results in an improper subsidy.

36. The Order No. 2003 reimbursement policy was designed to work with the transmission rate pricing policies of the *pro forma* OATT to ensure native load and other transmission customers of the transmission provider are protected from subsidizing the cost of the network upgrades built to interconnect a generator to the grid. For example, each generator, or other transmission customer, seeking to use the transmission system to deliver power from the generator must take transmission service and pay the transmission provider’s transmission service rates separate from paying for any interconnection-related network upgrade costs. However, the rate ultimately paid for network upgrades for interconnection of the generator to the grid and transmission service for the output of the generator is the higher of the embedded cost rate (reflecting system average costs including the cost of the network upgrades) or the incremental cost rate (reflecting just the costs of the network upgrades). Where the transmission provider charges an average embedded cost transmission rate, it incorporates the costs of the network upgrades into its transmission rates and the revenue received for transmission service for the output of the generator is credited to the transmission revenue requirement, offsetting the costs of the network upgrades. Where the transmission provider charges an incremental cost transmission rate, the cost of the network upgrades will not be included in the transmission rates charged to other customers. Either way, both native load and other transmission customers of the transmission provider are protected from subsidizing the cost of the network upgrades built to interconnect the generator to the grid.⁸¹

⁷⁹ Order No. 2003-A, FERC Stats. & Regs. ¶ 31,160 at P 580. Order No. 2003-A also noted that the incremental rate associated with network upgrades required to interconnect a new generator will generally be less than the embedded average cost rate. *Id.* P 581.

⁸⁰ Order No. 2003-B, FERC Stats. & Regs. ¶ 31,171 at P 56.

⁸¹ Order No. 2003, FERC Stats. & Regs. ¶ 31,146 at P 694; Order No. 2003-A, FERC Stats. & Regs. ¶ 31,160 at P 580.

37. In Order No. 2003, the Commission also discussed other related issues. The Commission denied requests to directly assign the cost of network upgrades to the generator interconnection customer in cases where the customer sells off-system, reasoning that when the generator interconnection customer chooses to sell the output of the generating facility off-system, transmission customers remain protected because the transmission provider has the assurance that it can recover from the generator interconnection customer the higher of incremental or embedded costs.⁸² The Commission further explained that the Commission's interconnection reimbursement policy is reasonable because it provides efficient incentives for new generation and transmission expansion, while its "higher of" ratemaking standard prevents subsidization of merchant generation and prevents undue discrimination by native load or other transmission customers.⁸³

38. The foregoing reimbursement policies apply to all public utility transmission providers. However, in Order Nos. 2003 and 2003-A, the Commission provided flexibility for independent entities to depart from this pricing structure by submitting alternatives for Commission review and approval.⁸⁴ The Commission explained that, when the transmission provider is an independent entity, it is less concerned that all generation owners will not be treated comparably.⁸⁵ At the same time, the Commission emphasized that, by allowing an independent transmission provider to adopt a reimbursement policy that differs from the Order No. 2003 pricing structure, the Commission was not abandoning the goals it has established for interconnection pricing, noted above.⁸⁶

2. ITCM's Reimbursement Policy

39. In the ITCM zone, an interconnection customer pays for 100 percent of the costs of the network upgrades up-front. The interconnection customer is then reimbursed 100 percent of those network upgrade costs within 90 days of its Commercial Operation Date if it demonstrates at that time that either: (1) the generating facility has been designated as a Network Resource to serve *any* Network Load in MISO; or (2) it has entered into a

⁸² Order No. 2003-A, FERC Stats. & Regs. ¶ 31,160 at P 588.

⁸³ *Id.* P 590.

⁸⁴ Order No. 2003, FERC Stats. & Regs. ¶ 31,146 at P 698; Order No. 2003-A, FERC Stats. & Regs. ¶ 31,160 at P 677.

⁸⁵ Order No. 2003, FERC Stats. & Regs. ¶ 31,146 at P 701.

⁸⁶ *Id.* P 700.

contract with *any* MISO network customer for capacity, or in the case of an Intermittent Resource, for energy, from the generating facility for a period of one year or longer.⁸⁷

40. The above-noted discussion in the Order No. 2003 rulemaking proceeding does not directly address the specific issue presented here – whether ITCM’s reimbursement policy for network upgrades is appropriate in light of MISO’s zonal rate structure. With that issue now before us, we find that the “higher of” protection on which Order No. 2003 relied is absent in the ITCM zone. As implemented within the MISO zonal rate structure, the ITCM interconnection reimbursement policy does not provide for adequate contribution to the costs of network upgrades required to interconnect a generator in the ITCM zone from either the interconnecting generator or a transmission customer taking service to access the generator’s output when the generator exports to another MISO pricing zone. In this situation, where a generator exports its power between the ITCM zone and another transmission pricing zone in MISO, the embedded cost transmission rate paid is the rate of the pricing zone where the power is *delivered*, rather than where it is sourced. Thus, when an interconnection customer located in the ITCM pricing zone exports its power to another pricing zone, full reimbursement by ITCM of the cost of network upgrades required for the interconnection service occurs without adequate contribution to the embedded costs of the ITCM transmission system by the interconnection customer or transmission customer exporting the power. Instead, those network upgrade costs are largely recovered through the transmission rates within the ITCM zone that are paid by customers, such as IPL, taking transmission service to serve their loads in the ITCM zone. As such, “higher of” pricing in this situation does not, as envisioned in Order No. 2003, protect IPL and other customers in the ITCM zone against impermissibly subsidizing network upgrades required for generator interconnection.

41. We find that the interaction of the current ITCM reimbursement policy and the MISO zonal rate structure provides inadequate protection against the type of improper subsidy about which the Commission expressed concern in Order No. 2003. For this reason, we grant IPL’s complaint.

3. Remedy and Effective Date

42. Because we grant IPL’s complaint we also direct MISO on behalf of ITCM, as requested by IPL,⁸⁸ to revise Attachment FF of MISO’s Tariff such that generator

⁸⁷ MISO Tariff, Attachment FF §§ III.A.2.d.4.b.i-ii. For the remainder of the discussion in this order, when we refer to an interconnection customer or generator, we are referring only to those interconnection customers or generators that qualify for reimbursement of their interconnection-related network costs in the ITCM zone.

⁸⁸ IPL Complaint at 2, 15.

interconnection customers in the ITCM pricing zone may receive up to 10 percent reimbursement for the cost of their interconnection-related network upgrades on a prospective basis, in conformance with the generator interconnection cost recovery provisions applicable to most other MISO pricing zones.⁸⁹

43. We will make the directed revisions to section III.A.2.d of Attachment FF effective as of the date of this order. We find that this prospective application of our finding here balances the interests of parties to GIAs and the need for regulatory certainty.⁹⁰ We also agree with MidAmerican that, consistent with precedent, the reimbursement policy that will apply to generator interconnection customers will be the policy in effect on the date that a GIA is executed or filed with the Commission, if unexecuted.⁹¹ Thus, this order does not modify any existing agreement executed or filed unexecuted with the Commission prior to the date of this order.

44. With respect to MidAmerican's concerns about amendments to GIAs to add additional network upgrades, we believe that such amendments are more appropriately addressed on a case-by-case basis to give consideration to the situation giving rise to the amendments.⁹²

⁸⁹ MISO Tariff, Attachment FF § III.A.2.d.1.

⁹⁰ See, e.g., *E.ON Climate & Renewables North America, LLC v. Midwest Indep. Transmission Sys. Operator, Inc.*, 142 FERC ¶ 61,048, at P 34 (2013); see also *Louisiana Public Serv. Comm'n and the Council of the City of New Orleans v. Entergy Corp.*, 142 FERC ¶ 61,211, at PP 55-60 (2013) (where the Commission's actions require only a cost allocation change or rate design change, the changes will only take effect prospectively); *Occidental Chem. Corp.*, 110 FERC ¶ 61,378, at P 10 (2005).

⁹¹ See, e.g., *Midwest Indep. Transmission Sys. Operator, Inc.*, 125 FERC ¶ 61,277, at P 10 (2008) (finding that because two generator interconnection agreements had been executed after the effective date of newly revised interconnection queue rules, the interconnection agreements must be revised to conform with the new rules); RECB I Order, 114 FERC ¶ 61,106 at P 70 (finding that generator interconnection agreements filed before the effective date of a new cost allocation tariff provisions would be governed under the prior cost allocation rules).

⁹² See, e.g., *Midwest Indep. Transmission Sys. Operator, Inc.*, 125 FERC ¶ 61,210 (2008) (while fact-specific to the case at hand, the Commission agreed upon rehearing to allow original network upgrades to be governed by the reimbursement policy effective at the time the GIA was executed, but additional upgrades associated with a request to increase the capacity of the generation facility were subject to the new reimbursement policy effective at the time the amended GIA was executed).

The Commission orders:

(A) IPL's complaint is hereby granted, as discussed in the body of this order.

(B) MISO, on behalf of ITCM, is hereby required to submit a compliance filing within 30 days of the date of this order, as discussed in the body of this order.

By the Commission. Chairman Wellinghoff is concurring with a separate statement to be issued at a later date.

Commissioner Norris is concurring with a separate statement attached.

(S E A L)

Kimberly D. Bose,
Secretary.

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Interstate Power and Light Company

Docket No. EL12-104-000

v.

ITC Midwest, LLC

(Issued July 18, 2013)

NORRIS, Commissioner, *concurring*:

I agree with today's order that grants the complaint and finds that ITC Midwest's 100 percent generator interconnection reimbursement policy is unjust and unreasonable in the context of MISO's zonal rate structure. While I believe it appropriate to direct MISO to conform ITC Midwest's generator interconnection reimbursement provisions to those provisions generally applicable to other MISO pricing zones, I am concerned that this policy might not adequately recognize the benefits that interconnection-related network upgrades provide to all users of the MISO transmission system. Thus, I write separately to state that I am open to considering alternatives to this existing policy that fully account for the benefits provided by interconnection-related network upgrades in a manner that ensures just and reasonable rates.

Under MISO's zonal rate structure, ITC Midwest's 100 percent generator interconnection reimbursement policy allocates to transmission customers who deliver energy in the ITC Midwest zone the full cost for generator interconnection-related network upgrades. Many of these generators are being developed to export their energy to other zones. Those transmission customers who take energy from the exporting generators clearly benefit from the network upgrades built in the ITC Midwest zone and should be allocated a share of the upgrade costs. For this reason I support granting the complaint.

However, use of MISO's up-to-10 percent generator interconnection reimbursement policy¹ in the ITC Midwest zone will allocate most if not all of the cost for interconnection-related network upgrades to generators located in the zone and might not sufficiently recognize the benefits of the network upgrades in the ITC Midwest zone to all transmission customers. Such benefits include enhanced

¹ Under MISO's generally applicable policy, generator interconnection customers are reimbursed for 10 percent of any required network upgrades rated at or above 345 kV, and receive no reimbursement for required network upgrades rated less than 345 kV.

Docket No. EL12-104-000

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reliability and lower energy prices resulting from a less constrained transmission system and increase in energy supply options in the ITC Midwest zone. Nevertheless, the up-to-10 percent generator interconnection reimbursement policy is generally applicable to most MISO pricing zones and there is no evidence in the record to support a different sharing of costs at this time.

For these reasons, I respectfully concur on this order.

John R. Norris, Commissioner

**Appendix 3 – ITC-M Request to FERC for Rehearing on ITC-M Attachment FF
Order (Docket No. EL12-104-000)**

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Interstate Power and Light Company)	
)	
v.)	Docket No. EL12-104-000
)	
ITC Midwest, LLC)	
)	

REQUEST FOR REHEARING AND, IN THE ALTERNATIVE,
REQUEST FOR CLARIFICATION

Pursuant to Section 313 of the Federal Power Act (“FPA”)¹ and the Federal Energy Regulatory Commission’s (“Commission”) Rules of Practice and Procedure² and Rule 713,³ ITC Midwest LLC (“ITC Midwest”) hereby submits this request for rehearing of the Commission’s July 18, 2013 order in the above-referenced proceeding.⁴ In the alternative, ITC Midwest respectfully requests clarification regarding the applicability of the July 18 Order to certain Interconnection Customers.

I. SPECIFICATIONS OF ERROR AND STATEMENT OF ISSUES

The Commission should grant rehearing of the July 18 Order because the Commission erred regarding the following:

1. The Commission erred by failing to examine relevant data in the record and by neglecting to articulate a rational connection between the facts and its decision. Thus, the ordered change to ITC Midwest’s rates is reversible error because it was arbitrary and capricious. *See Motor Vehicle Mfrs. Ass’n v. State Farm Mut. Auto.*

¹ 16 U.S.C. § 8251 (2006).

² 18 C.F.R. Part 385 (2013).

³ 18 C.F.R. § 385.713.

⁴ *Interstate Power and Light Company v. ITC Midwest, LLC*, 144 FERC ¶ 61,052 (2013) (“July 18 Order”).

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Ins. Co., 463 U.S. 29 at 43 (1983) (quoting *Burlington Truck Lines, Inc. v. United States*, 371 U.S. 156, 168 (1962)); *PSEG Energy Res. and Trade LLC v. FERC*, 665 F.3d 203, 210 (D.C. Cir. 2011) (reversing the Commission’s decision for failing to address relevant issue raised by an affected party); *Greater Boston Television Corp. v. FCC*, 444 F.2d 841 (D.C. Cir. 1970) (“if an agency glosses over or swerves from prior precedents without discussion it may cross the line from the tolerably terse to the intolerably mute”).

2. The Commission committed reversible error by failing to justify its departure from prior decisions. This lack of analysis is arbitrary and capricious. *Research and Action Ctr. v. FCC*, 800 F.2d 1181, 1184 (1986) (“When an agency undertakes to change or depart from existing policies, it must set forth and articulate a reasoned explanation for its departure from prior norms.”); *Greater Boston Television Corp. v. FCC*, 444 F.2d 841, 851-52 (D.C. Cir. 1970) (“An agency’s view of what is in the public interest may change. . . . But an agency changing its course must supply a reasoned analysis indicating that prior policies and standards are being deliberately changed, not casually ignored.”).
3. The Commission erred by ignoring its own cost causation policies. The Commission’s substituted rates shield costs from the customers who benefit the most from the transmission grid additions. The Commission “is not authorized to approve a pricing scheme that requires a group of utilities to pay for facilities from which its members derive no benefits, or benefits that are trivial in relation to the costs sought to be shifted to its members. ‘[A]ll approved rates [must] reflect to some degree the costs actually caused by the customer who must pay them.’” *Illinois Commerce Commission v. FERC*, 576 F.3d 470, 476 (7th Cir.

2009) (citing *KN Energy, Inc. v. FERC*, 968 F.2d 1295, 1300, 297 U.S. App. D.C. 13 (D.C. Cir. 1992); *Transmission Access Policy Study Group v. FERC*, 225 F.3d 667, 708, 343 U.S. App. D.C. 151 (D.C. Cir. 2000); *Pacific Gas & Elec. Co. v. FERC*, No. 03-1025, 373 F.3d 1315, 1320-21, 362 U.S. App. D.C. 268 (D.C. Cir. 2004)).

4. The Commission erred by (1) sustaining the complaint without holding a hearing; and (2) finding that the Complainant met its burden of proof because there was no adequate record evidence upon which to make such a finding. 16 U.S.C. § 824e (2006) (emphasis added); *see also Ameren Servs. Co., N. Ind. Pub. Serv. Co. v. Midwest Indep. Transmission Sys. Operator, Inc*, 125 FERC ¶ 61,161 (2008) (“Complainants carry the burden of proof” and must “demonstrate, on the basis of substantial evidence,” that the “rate in effect is unjust and unreasonable...”).
5. Reversing course on Attachment FF deprives ITC Midwest of meaningful FPA Section 205 rights. By denying such FPA rights, the Commission committed reversible error. *See, e.g., American Transmission Co., LLC*, 120 FERC ¶ 61,221 (2007), *reh’g denied*, 123 FERC ¶ 61,065 (2008); *see also Int’l Transmission Co.*, 120 FERC ¶ 61,220 (2007), *reh’g denied*, 123 FERC ¶ 61,065 (2008).
6. The Commission erred by instituting rates for the ITC Midwest zone that discourages new generation. This policy is arbitrary given the Commission’s statements, orders, rules and regulations that provide the opposite incentive. *See, e.g., Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities*, Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at P 81 (2011), *order on reh’g*, Order No. 1000-A, 139 FERC ¶ 61,132; *order on reh’g*, Order No. 1000-B, 141 FERC ¶ 61,044 (2012).

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II. BACKGROUND**A. History of ITC Midwest Attachment FF.**

In Order No. 2003, the Commission formalized its long-standing policy to provide 100 percent reimbursement for a generator interconnection customer's network upgrade costs.⁵ In its Order No. 2003 compliance filing, MISO instituted the Commission's 100 percent reimbursement policy. The Commission permitted, but did not require, independent transmission providers, such as MISO and ITC Midwest, to propose to reduce such reimbursement.⁶

In 2006, the Commission accepted MISO's proposal to modify its Open Access Transmission, Energy and Operating Reserve Markets Tariff ("MISO Tariff"). Generator interconnection customers were now required to pay the entire cost of Network Upgrades upfront. Once the project achieved commercial operation and the interconnection customer demonstrated that the generator was designated as a network resource or committed for at least one year to supply capacity or energy to a network customer, then 50 percent of the costs of the Network Upgrades for the generation interconnection project were repaid to the interconnection customer.

After the Commission accepted the 50-50 cost sharing methodology in MISO's RECB proceeding, *ITCTransmission* and METC (who, along with ITC Midwest and ITC Great Plains, LLC, are subsidiaries of ITC Holdings, Inc.) proposed to revise the generator interconnection

⁵ *Standardization of Generator Interconnection Agreements and Procedures*, Order No. 2003, FERC Stats. & Regs. ¶ 31,146 at P 694 (2003), *order on reh'g*, Order No. 2003-A, FERC Stats. & Regs. ¶ 31,160, *order on reh'g*, Order No. 2003-B, FERC Stats. & Regs. ¶ 31,171 (2004), *order on reh'g*, Order No. 2003-C, FERC Stats. & Regs. ¶ 31,190 (2005), *aff'd sub nom. Nat'l Ass'n of Regulatory Util. Comm'rs v. FERC*, 475 F.3d 1277, 374 U.S. App. D.C. 406 (D.C. Cir. 2007), *cert. denied*, 552 U.S. 1230, 128 S. Ct. 1468, 170 L. Ed. 2d 275 (2008).

⁶ The Commission confirmed in *ITCTransmission* and Michigan Electric Transmission Company LLC's ("METC") proposed cost sharing methodology that both *ITCTransmission* and METC are independent transmission providers that have more, not less, flexibility to deviate from the Commission's pricing policy. *Int'l Transmission Co.*, 120 FERC ¶ 61,220 at P 29 (2007), *reh'g denied*, 123 FERC ¶ 61,065 (2008) ("*ITCTransmission* and METC Attachment FF Order").

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cost allocation methodologies in their respective pricing zones and to include a new section III.A.2.d.3 in Attachment FF of MISO's tariff that reinstated the longstanding practice of 100% reimbursement to the generator for network upgrades.

On September 7, 2007, the Commission accepted *ITCTransmission* and METC's proposed cost sharing methodology where the interconnection customer would be reimbursed for 100 percent of its interconnection related Network Upgrade costs provided that (1) the generating facility has been designated as a network resource under MISO's Tariff, or (2) the generating facility has a contractual commitment to provide capacity or energy for a period of one year or longer.⁷ In approving the tariff changes, the Commission cited Order No. 2003, stating that it previously found that a 100 percent reimbursement policy for Network Upgrades was just and reasonable.⁸ On rehearing, the Commission stated this "approach to interconnection pricing ...looks beyond who buys the power and considers the effect of new transmission infrastructure on the reliability and competitiveness of the system as a whole."⁹ The Commission also recognized that "[i]n an energy market with LMP, such as Midwest ISO's, when supply is increased, the load affected by that increased supply will benefit from lower energy prices because the new supply will generally displace more expensive generation, which would otherwise have been dispatched" and "[t]hus, other transmission customers can benefit from the increased amount of generation in their pricing zone even if that new generation capacity is not sold to them."¹⁰

⁷ *ITCTransmission* and METC Attachment FF Order. *ITCTransmission* and METC proposed to allocate the incremental costs to be recovered under its Attachment O formula rate. As such, 50% of the costs would be allocated entirely to ITC and METC for recovery from their customers, and 50% would continue to be allocated to affected transmission owners pursuant to the existing tests in Attachment FF. *Id.* at P 5.

⁸ *Id.* at P 14.

⁹ *Id.* at P 16.

¹⁰ *Id.* at P 19.

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In July 2007, American Transmission Company, LLC (“ATC”) also filed to revise the generator interconnection cost allocation methodology for its pricing zone. For ATC, the Commission accepted a cost sharing methodology where the interconnection customer would be reimbursed for 100 percent of its interconnection-related upgrade costs provided that the interconnection customer (1) has a contractual commitment to provide capacity or energy for the generation capacity covered by the interconnection agreement for a period of at least 10 years, or (2) has a generating facility that is designated as a network resource under the MISO Tariff.¹¹ Similar to the ITC *Transmission* and METC Attachment FF Order, the Commission stated in the ATC Attachment FF Order that it previously found that a 100 percent reimbursement policy for Network Upgrades was just and reasonable.¹²

On April 4, 2008, ITC Midwest proposed its version of Attachment FF § III.A.2.d.4, under which generator interconnection service customers of ITC Midwest are able to recover from ITC Midwest up to 100 percent of their reimbursable interconnection-related Network Upgrade costs provided that (1) the generating facility has been designated as a network resource under the MISO Tariff, or (2) the generating facility has a contractual commitment to provide capacity or energy for a period of one year or longer.¹³

The Commission accepted ITC Midwest’s proposal on August 7, 2008.¹⁴ In approving the proposal, the Commission reiterated, just as it had done in its previous Attachment FF

¹¹ *Am. Transmission Company LLC.*, 120 FERC ¶ 61,221 (2007) (“ATC Attachment FF Order”), *reh’g denied*, 123 FERC ¶ 61,065 (2008).

¹² *Id.* at P 17 (finding that “different rate proposal can be just and reasonable; there is no one correct method for calculating rates”).

¹³ *ITC Midwest, LLC and Midwest Independent Transmission System Operator, Inc.*, Docket No. ER08-796, dated April 4, 2008.

¹⁴ *ITC Midwest, LLC*, 124 FERC ¶ 61,150 (2008) (“ITC Midwest Attachment FF Order”).

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Orders, that it has found that 100% reimbursement for Network Upgrades is just and reasonable, and that different rate proposals can be just and reasonable.¹⁵

In 2009, in the RECB proceeding, MISO filed proposed amendments to their Tariff to revise the method to allocate costs of network upgrades. These changes resulted in the interconnection customer bearing 100 percent of the costs of network upgrades below 345kV and 90 percent of the costs at 345 kV and above (where the remaining 10 percent was recovered on a system-wide basis).¹⁶

B. IPL Complaint

On September 14, 2012, IPL filed a complaint against ITC Midwest pursuant to section 206 of the FPA, seeking to change the provision of Attachment FF of the MISO Tariff under which ITC Midwest generator interconnection customers may be able to receive reimbursement from ITC Midwest of 100 percent of their interconnection-related network upgrade costs.¹⁷ IPL argued, among other things, that as ITC Midwest's largest customer in the ITC Midwest pricing zone, IPL paid approximately \$44.7 million in generator interconnection-related network upgrade costs to ITC Midwest from 2008 to 2011, and that it should have been responsible for only \$12.3 million of such costs during that period if ITC Midwest utilized the same reimbursement methodology applicable in most other MISO pricing zones – namely, that an interconnection customer be reimbursed only 10 percent of the costs of the generator

¹⁵ *Id.*

¹⁶ *Midwest Indep. Transmission Sys. Operator, Inc.*, 114 FERC ¶ 61,106 at P 8 (2006). Adopted in MVP Proceeding - *Midwest Indep. Transmission Sys. Operator, Inc.*, 133 FERC ¶ 61,221 (2010) (MVP Order), *reh'g denied*, 137 FERC ¶ 61,074 (2011), *aff'd in part, Ill. Commerce Comm'n v. FERC*, 2013 U.S. App. LEXIS 11560 (7th Cir. 2013).

¹⁷ *Interstate Power and Light Company v. ITC Midwest, LLC*, Docket No. EL12-104-000, Formal Complaint of Interstate Power and Light Company (Sept. 14, 2012) (“IPL Complaint”).

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interconnection.¹⁸ IPL also stated that it is facing “significant” cost exposure for future interconnection-related network upgrades, and challenged the assumption that it and its customers are obtaining benefits that are commensurate with the cost incurred.¹⁹

On October 4, 2012, ITC Midwest filed an answer to IPL’s complaint.²⁰ ITC Midwest argued that its generator interconnection reimbursement policy is just and reasonable and not unduly discriminatory.²¹ ITC Midwest stated that IPL did not meet its burden of proof under section 206 of the FPA because IPL failed to provide substantial evidence supporting its contention that the ITC Midwest reimbursement policy is unduly discriminatory as applied to IPL and its customers.²² ITC Midwest stated that while IPL asserted it had not benefitted from any reliability improvements or lower energy prices as a result of the generator interconnection-related network upgrades, IPL failed to provide evidence supporting these claims. ITC Midwest also argued that IPL does in fact benefit from transmission system upgrades, and that IPL exaggerated some of the costs it claims to have paid under the reimbursement policy.²³

On October 22, 2012, IPL filed a response to ITC Midwest’s Answer.²⁴ IPL stated that it made an adequate proffer of evidence to warrant an evidentiary hearing, and that ITC Midwest

¹⁸ *Id.* (citing MISO Tariff, Attachment FF §§ III.A.2.d.1 (stating that for network upgrades “above 345 kV, the Interconnection Customer shall be repaid 10 percent of the costs of the Generation Interconnection Project funded by the Interconnection Customer once Commercial Operation is achieved.”)).

¹⁹ *Id.* at 6.

²⁰ *Interstate Power and Light Company v. ITC Midwest, LLC*, Docket No. EL12-104-000, ITC Midwest, LLC Answer to IPL Complaint (Oct. 4, 2012) (“ITC Midwest Answer”).

²¹ *Id.* at 19.

²² *Id.* at 15-16.

²³ *Id.* at 23, 27.

²⁴ *Interstate Power and Light Company v. ITC Midwest, LLC*, Docket No. EL12-104-000, Request for Leave to Respond and Response of Interstate Power and Light Co. (Oct. 22, 2012) (“IPL Response”).

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did not show that IPL benefits from generator interconnection project network upgrades on the ITC Midwest system.²⁵

On November 6, 2012, ITC Midwest filed an answer to IPL's Response, reiterating that IPL had not met its burden of proof, and that IPL's assertions regarding the benefits it receives from network upgrades are inaccurate and do not support its complaint.²⁶

On July 18, 2013, the Commission issued an Order Granting Complaint, stating that ITC Midwest's interconnection reimbursement policy, in the context of MISO's zonal rate structure, results in an improper subsidy and is therefore unjust, unreasonable and unduly discriminatory or preferential. The Commission directed MISO, on behalf of ITC Midwest, to revise Attachment FF of the MISO Tariff to conform MISO's policy for reimbursing generator interconnection customers for network upgrade costs in the ITC Midwest zone to the generator interconnection cost recovery provisions applicable to most other MISO pricing zones, in which such customers may receive up to 10 percent reimbursement for those costs.

III. REQUEST FOR REHEARING

A. The July 18 Order Ignored Record Evidence; This Constitutes Reversible Error.

In the July 18 Order, the Commission erred by failing to examine the relevant data and articulate a rational connection between the facts and its decision regarding why ITC Midwest's heretofore just and reasonable Attachment FF rates are now no longer just and reasonable. This

²⁵ *Id.* at 2-4.

²⁶ *Interstate Power and Light Company v. ITC Midwest, LLC*, Docket No. EL12-104-000, Answer to Pleading of ITC Midwest LLC at 2-3 (Nov. 6, 2012).

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failure to provide reasoned decision-making is arbitrary and capricious and should be reversed on rehearing.²⁷

In the July 18 Order, the Commission states that “the ITCM interconnection reimbursement policy does not provide for adequate contribution to the costs of network upgrades required to interconnect a generator in the ITCM zone from either the interconnecting generator or a transmission customer taking service to access the generator’s output when the generator exports to another MISO pricing zone.”²⁸ By failing to give any weight to the substantial benefits of ITC Midwest’s Attachment FF policy, however, the Commission has acted arbitrarily and capriciously, and thus it should grant rehearing.

The ITC Midwest Attachment FF methodology allocates costs based on economic realities, i.e., that network upgrades associated with new generator interconnections provide economic benefits to the ITC Midwest zone through lower Locational Marginal Prices (“LMP”) and through enhanced reliability. In approving ITC Midwest’s Attachment FF, the Commission stated : “[i]n an energy market with LMP, such as Midwest ISO’s, when supply is increased, the load affected by that increased supply will benefit from lower energy prices because the new supply will generally displace more expensive generation, which would otherwise have been dispatched. Thus, other transmission customers can benefit from the increased amount of generation in their pricing zone even if that new generation capacity is not sold to them.”²⁹ In other words, the Commission originally recognized that in an LMP market, IPL benefits by the addition of new, local generation, even if that generation (*e.g.*, a windfarm) has a PPA with a

²⁷ *Morgan Stanley Capital Grp., Inc.*, 554 U.S. 527, 532 (2008) (citations omitted). Under the deferential arbitrary and capricious standard, 5 U.S.C. § 706(2)(A), the court will “affirm the Commission’s orders so long as [it] examined the relevant data and articulated a . . . rational connection between the facts found and the choice made.”

²⁸ July 18 Order at P 40.

²⁹ ITC Midwest Attachment FF Order.

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utility in another state. The July 18 Order did not provide a rationale for reversing course on this policy, and did not even acknowledge that a 180 degree policy turn was made. Of course the Commission may change its mind, but not without adequate evidence and explanation.³⁰ Notably, with the approval of the MISO Multi-Value Project (“MVP”) cost allocation request FERC demonstrated that it understood that the addition of network transmission had broad benefits and beneficiaries, however, now in the July 18 Order, the Commission has taken a giant step backwards with regard to its network upgrade policy.

Here, the concept of physical delivery rights – where the load serving entity establishes a contract path from the generator to the load – is reduced or eliminated in an LMP market. In today’s MISO market, many purchasers of remote wind are simply arbitraging the LMP prices between the point of injection and the LMP at the load zone. This is a logical economic action in a market that has no physical delivery rights or obligations. However, the injection of additional wind energy lowers the LMP at the wind interconnection site, providing benefits to local, zonal loads, even if there is no wind supply contract with such local load. As the Commission has recognized, the local LMP prices to which the local load is exposed is reduced by this added supply.

In its Complaint, IPL provided no analysis of MISO LMPs. Furthermore, IPL admitted that it currently experiences lower LMP prices, but then made unsupported claims that these price decreases are due to other factors such as “the downturn in the economy.”³¹ In contrast,

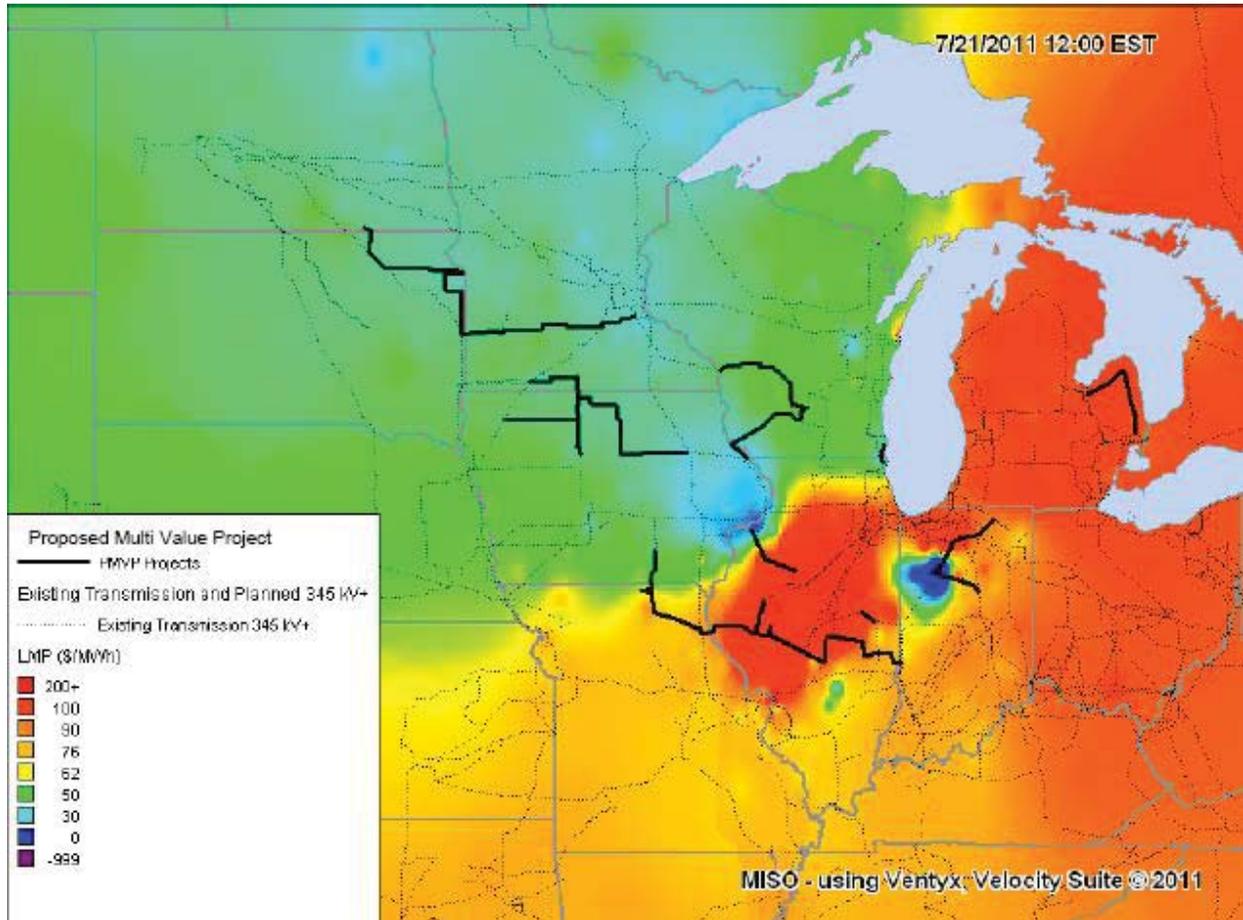
³⁰ *Motor Vehicle Mfrs. Ass’n v. State Farm Mut. Auto. Ins. Co.*, 463 U.S. 29 at 43 (quoting *Burlington Truck Lines, Inc. v. United States*, 371 U.S. 156, 168 (1962)); see also *PSEG Energy Res. & Trade LLC v. FERC*, 665 F.3d 203, 208-209 (D.C. Cir. 2011) (an agency’s failure to respond meaningfully to objections raised by a party renders its decision arbitrary and capricious); *PPL Wallingford Energy LLC v. FERC*, 419 F.3d at 1198–1200 (failure to address evidence that on its face seems legitimate can hardly be classified as reasoned decision-making).

³¹ IPL Complaint at 15.

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ITC Midwest demonstrated with record evidence that the LMP prices in Iowa have been very low.³²

Figure 1³³



In its Order approving the ITC Midwest Rate, the Commission stated,

We do not agree with Great River that the proposal will result in an increased zonal rate without benefits to other customers within the ITC Midwest zone. The approach to interconnection pricing proposed here looks beyond the direct usage-related benefits of

³² See MISO Multi Value Project Portfolio Results and Analysis dated January 10, 2012 at 72 available at <https://www.misoenergy.org/Library/Repository/Study/Candidate%20MVP%20Analysis/MVP%20Portfolio%20Analysis%20Full%20Report.pdf>. The data is from the week of July 17, 2011.

³³ ITC Midwest Answer to Complaint at 17.

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transmission system enhancements. It recognizes that benefits can take the form of ... reduced locational marginal prices (LMP).³⁴

As noted, in the July 18 Order, the Commission completely ignored these benefits and flipped its position without explanation.

Second, the ITC Midwest methodology recognizes the local economic benefit associated with enhanced system reliability that comes about as a result of local generator interconnections.³⁵ Indeed, there are clear reliability benefits associated with Network Upgrades (which require breakers and short circuit stability projects, for example) that enhance local reliability. These benefits come from greater sectionalizing of the grid and increased system capability (which comes from the augmented equipment protection limits that are associated with sectionalization). The July 18 Order ignored these benefits.

In contrast, the ITC Methodology recognizes the historic underinvestment in the ITC Midwest system.³⁶ In short, longstanding, necessary upgrades were put off for years by IPL. These needed upgrades should not be done on the backs of generators alone, especially where the record evidence demonstrates that the significant benefits to ratepayers through lower LMPs. Further, the allocation of generator interconnection related network costs for these necessary upgrades to these independent power producers puts them at a competitive disadvantage as compared to generation owned by the local utility.

As noted in the affidavit of Doug Collins - to date, ITC Midwest has reconstructed approximately 90 miles of 115 kV and 161 kV line and 7 miles of 69 kV line as part of various generator interconnection projects. In addition, almost 70% of the costs of the Attachment FF

³⁴ ITC Midwest Attachment FF Order at P 18.

³⁵ IPL itself acknowledges that it “has seen a general reduction trend in the number of sustained transmission outages since 2009 (the first full year ITC Midwest assumed operation of the 69kV and above systems).” IPL Complaint at 14.

³⁶ Many examples of the extent of this underinvestment were contained in the “State of the System Report” attached as an exhibit to ITC Midwest’s answer to a prior IPL complaint in Docket No. EL09-11.

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policy are for Network Upgrades that increase the capacity of the transmission system (approximately \$89.5 million out of a total of \$129 million in capital costs). As noted by Mr. Collins, the average age of 69 kV, 115 kV, and 161 kV lines replaced due to generator interconnections is approximately 51 years. Stated another way, these interconnection upgrades are, in certain cases, expediting transmission system improvements that would be necessary even without the additional generation.

Importantly, the IPL Complaint acknowledges that there has been a decrease in outages, stating that it “has seen a general reduction trend in the number of sustained transmission outages since 2009 (the first full year ITC Midwest assumed operation of the 69kV and above systems).”³⁷ Again, the Commission ignored the reliability benefits of ITC Midwest’s Attachment FF methodology when it changed its mind on ITC Midwest’s rates.

Overall, the Commission’s order did not appear to give ITC Midwest’s arguments the benefit of serious consideration. The Commission did not devote a single sentence to the merits of ITC Midwest’s Attachment FF policy before overturning and reversing the policy out of hand. The July 18 Order did not even mention, much less adequately consider and weigh, any of the relevant benefits in the record. This is despite the fact that ITC Midwest provided ample evidence of the benefits in its response to the complaint as well as in its answer to IPL’s answer. Ignoring this proffer was arbitrary and capricious and, standing alone, supports a grant of rehearing.³⁸ By failing to examine the relevant record evidence and neglecting to articulate a rational connection between the facts and its finding in the July 18 Order, the Commission

³⁷ IPL Complaint at 14. However, IPL maintains – again without any actual evidence – that this effect is not a result of Network Upgrades made by ITC Midwest. *Id.*

³⁸ See *PSEG Energy Res. and Trade LLC v. FERC*, 665 F.3d 203, 210 (D.C. Cir. 2011) (reversing the Commission’s decision for failing to address relevant issue raised by an affected party); *Greater Boston Television Corp. v. FCC*, 444 F.2d 841 (D.C. Cir. 1970) (“if an agency glosses over or swerves from prior precedents without discussion it may cross the line from the tolerably terse to the intolerably mute”).

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committed reversible error.³⁹ Because the Commission failed to engage in reasoned decision-making, it should grant rehearing and reject the complaint.

B. The July 18 Order Provides No Rationale for a Policy Change.

By reversing its prior course, the Commission erred by failing to articulate why ITC Midwest's Attachment FF policy is now unjust and unreasonable. Instead, the Commission merely applied a one-size fits-all policy without analysis. The failure to justify this departure from prior decisions was arbitrary and capricious and as a result, the Commission should grant rehearing and reject IPL's complaint.⁴⁰

ITC Midwest's cost allocation is consistent with the approach utilized by the Commission for decades⁴¹ and formally adopted in Order No. 2003.⁴² This is also the same approach that is utilized by other RTO-regions such as the Southwest Power Pool ("SPP")⁴³ and in certain other MISO zones.⁴⁴ ITC Midwest's approach to interconnection pricing looks beyond the entity that purchases power from the new generator, and considers the reliability and competitive benefits from a stronger transmission infrastructure. This approach was fully supported by the court in *Entergy Services*, which said "[t]he Commission's rationale for crediting network upgrades, based on a less cramped view of what constitutes a 'benefit,' reflects its policy determination that

³⁹ Supra, n. 31.

⁴⁰ *Tel. Research and Action Ctr. v. FCC*, 800 F.2d 1181, 1184 (1986) ("When an agency undertakes to change or depart from existing policies, it must set forth and articulate a reasoned explanation for its departure from prior norms."); *Greater Boston Television Corp. v. FCC*, 444 F.2d 841, 851-52 (D.C. Cir. 1970) ("An agency's view of what is in the public interest may change. . . . But an agency changing its course must supply a reasoned analysis indicating that prior policies and standards are being deliberately changed, not casually ignored.").

⁴¹ *Northern States Power Company v. FERC*, 30 F. 3d. 117, 119 (D.C. Cir. 1994); *City of Holyoke Gas & Electric Department v. FERC*, 954 F. 2d 740. 742-43 (D.C. Cir. 1992); *Central Maine Power Company*, 54 FERC ¶ 61,206 at 61,611-12, *reconsideration denied*, 55 FERC ¶ 61,060 (1991), *aff'd in relevant part*, 964 F.2d 5, 8 (D.C. Cir. 1992). *Appalachian Power Company*, 63 FERC ¶ 61,151 at 61,978, *order on rehearing*, 64 FERC ¶ 61,012, *supplemental order*, 64 FERC ¶ 61,327 (1993); *Western Massachusetts Electric Company*, 63 FERC ¶ 61,222 (1993), *rehearing denied*, 66 FERC ¶ 61,167 (1994).

⁴² Supra, n. 6.

⁴³ See SPP Open Access Transmission Tariff, Attachments Z1 and Z2.

⁴⁴ See Section II.A., supra.

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a competitive transmission system, with barriers to entry removed or reduced, is in the public interest.”⁴⁵ Moreover, the Commission has long-held that the cost of network upgrades should be borne by all parties who benefit from them, not just the party receiving the greatest benefit.⁴⁶ As stated, the “Commission’s preferred approach ensures that the costs of the system upgrades are ultimately spread to all system users--as the costs will be reflected in the transmission rate charged...”⁴⁷ FERC has found that even small amounts of added reliability are enough of a benefit to the transmission system to find that the costs for the facilities should be rolled-in to network rates. In determining whether an upgrade or facility provides benefits to the network, FERC has stated that “[a] benefit need not be large to be significant.”⁴⁸

ITC Midwest’s methodology is pro-competitive consistent with the Commission’s policy of promoting competitive wholesale energy markets. In approving the 100% cost reimbursement in Order No. 2003, the Commission stated that the policy would “enhance competition in bulk power markets by promoting the construction of new generation, particularly in areas where entry barriers due to unduly discriminatory transmission practices may still be significant. The policy is, therefore, consistent with the Commission’s long-held view that competitive wholesale markets provide the best means by which to meet its statutory responsibility to assure adequate and reliable supplies of electric energy at just and reasonable prices.”⁴⁹ The Commission offered no rational explanation in the July 18 Order for its change of course.

Furthermore, the Commission has consistently found that different approaches in charging rates for jurisdictional services can be just and reasonable and has found that more than

⁴⁵ ITC *Transmission* and METC Attachment FF Order at P 16 (citing *Entergy Services, Inc. v. FERC*, 319 F.3d 536, 543-44 (D.C. Cir. 2003) and Order No. 2003-A at P 584).

⁴⁶ *Appalachian Power Co.*, 63 FERC ¶ 61,151 at 61,978, *supplemental order*, 64 FERC ¶ 61,327 (1993).

⁴⁷ *Southern Companies Services, Inc.*, 95 FERC ¶ 61,078, at n. 9 (2001).

⁴⁸ *Northeast Texas Elec. Coop.*, 111 FERC ¶ 61,189 at P 42 (2005).

⁴⁹ Order No. 2003 at P 694.

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one method for calculating rates for the same service is acceptable.⁵⁰ By insisting on one size fits all in its July 18 Order, FERC arbitrarily precluded meaningful review of Attachment FF costs and benefits. The Commission's goal of a level playing field for generation developers (whether incumbent utilities or independent power developers) continues to be furthered by ITC Midwest's 100% reimbursement policy.⁵¹ It allows new resources to compete on the same terms as: (1) the older generating facilities owned by the incumbent, vertically-integrated MISO members that included their interconnection costs in transmission rates; (2) old and new generating facilities outside of MISO that apply the Order No. 2003 policy of 100% reimbursement for Network Upgrade costs; (3) new generating facilities within the other MISO zones that apply the 100% reimbursement policy; and (4) the newer projects, such as those owned by IPL's affiliates, that have benefited from the ITC Midwest policy of 100% reimbursement for Network Upgrade costs.⁵² This is not discrimination but rather providing equal treatment.

As noted in ITC Midwest's Answer, ITC Midwest's Attachment FF also remains consistent with the Commission's long-held policy of prohibiting "and" pricing for transmission service.⁵³ If the new generator paid for Network Upgrades and transmission service to

⁵⁰ *ITC-METC*, 120 FERC ¶ 61,220 at P 14 citing *Mobil Oil Exploration & Producing Southeast, Inc. v. United Distribution Co.*, 498 U.S. 211, 224 (1991); *FPC v. Hope Natural Gas Co.*, 320 U.S. 591, 602 (1944).

⁵¹ Order No. 2003 at P 694. See also *ITCTransmission* and METC Attachment FF Order and ITC Midwest Attachment FF Order.

⁵² As explained by Mr. Collins in his affidavit, several of IPL's affiliates have received the 100% reimbursement benefit that IPL seeks to end for new projects.

⁵³ ITC Midwest Answer at n. 57.

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potentially export the power from MISO, the new generator would pay both for its incremental upgrades *and* for transmission service.⁵⁴

Because the Commission failed to adequately explain this policy reversal on a number of fronts, the July 18 Order is arbitrary and capricious.⁵⁵ The Commission, “must provide a reasonable explanation for its decision: it must show that it considered relevant factors and struck a reasonable accommodation among them.”⁵⁶ As a result, the Commission should grant rehearing and reject IPL’s complaint.

C. The July 18 Order is Inconsistent with Standard Cost Causation Policies.

The Commission’s finding in the July 18 Order is not supported by the Commission’s cost causation policy. Specifically, the result of the July 18 Order is that the ITC Midwest zone will pay 0% of the costs for network facilities below 345 kV and only 0.38%⁵⁷ of the costs for network facilities rated at or above 345 kV. This result fundamentally violates longstanding cost causation principles and, therefore, the Commission’s decision was arbitrary and capricious.

The Commission “is not authorized to approve a pricing scheme that requires a group of utilities to pay for facilities from which its members derive no benefits, or benefits that are trivial in relation to the costs sought to be shifted to its members. ‘[A]ll approved rates [must] reflect to

⁵⁴ As the Commission found in Order No. 2003, it is appropriate for the Interconnection Customer to pay initially the full cost of Interconnection Facilities and Network Upgrades that would not be needed but for the interconnection, but once the Generating Facility commences operation and delivery service begins, it must receive transmission service credits for the cost of the Network Upgrades. This ensures that the Interconnection Customer will not ultimately have to pay both incremental costs and an average embedded cost rate for the use of the Transmission System. Order No. 2003 at P 694.

⁵⁵ Courts have recognized, “unless the [agency] answers objections that on their face seem legitimate, its decision can hardly be classified as reasoned.” *Canadian Ass’n of Petroleum Producers v. FERC*, 254 F.3d. 289, 299 (D.C. Cir. 2001).

⁵⁶ *Consolidated Edison Co, v. FERC*, 347 F. 3d 964, 972 (D.C. Cir. 2003).

⁵⁷ MTEP12 Preliminary Cost Allocations (Jun., 2012) available at <https://www.misoenergy.org/Library/Repository/Meeting%20Material/Stakeholder/SPM/20120628%20WSPM/20120628%20WSPM%20Item%2006c%20Preliminary%20Cost%20Allocation.pdf>

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some degree the costs actually caused by the customer who must pay them.”⁵⁸ The Commission’s July 18 Order inexplicably flips its cost causation principles on its head. The result of the July 18 Order is that the costs of network upgrades in the ITC Midwest zone are shifted onto the generators and onto customers outside the ITC Midwest zone. This result allows customers within the ITC Midwest zone to pay \$0 or a trivial amount for the LMP and reliability benefits they receive from the transmission upgrades within their zone. This result is nonsensical and instead of fixing what the Commission called an “impermissible subsidy”, the Commission has created an impermissible subsidy for those entities who receive the largest benefits from the Network Upgrades.

Under Section 206 of the FPA, “it was the Commission’s burden to prove the reasonableness of the change in methodology”⁵⁹ However, the Commission’s reasoning in the July 18 Order is not supported by the facts or reasoned decision making. As stated, the result of the July 18 Order is that the ITC Midwest zone will pay 0% of the costs for network facilities below 345 kV and only 0.38% of the costs for network facilities rated at or above 345 kV. ITC Midwest’s current Network Upgrade reimbursement policy better matches benefits to the customers that pay for them, enhances the planning process to provide for higher value network upgrades, and decreases the potential for costly and time consuming litigation over whether or not a potential network improvement should be paid 90% or 100% by the new renewable generator or 0%, or if that improvement should have been included in the MTEP planning process and recovered under the transmission access charge.

⁵⁸ *Illinois Commerce Commission v. FERC*, 576 F.3d 470, 476 (7th Cir. 2009) (citing *KN Energy, Inc. v. FERC*, 968 F.2d 1295, 1300, 297 U.S. App. D.C. 13 (D.C. Cir. 1992); *Transmission Access Policy Study Group v. FERC*, 225 F.3d 667, 708, 343 U.S. App. D.C. 151 (D.C. Cir. 2000); *Pacific Gas & Elec. Co. v. FERC*, No. 03-1025, 373 F.3d 1315, 1320-21, 362 U.S. App. D.C. 268 (D.C. Cir. 2004).).

⁵⁹ *PPL Wallingford Energy LLC v. FERC*, 419 F.3d 1194, 1199 (D.C. Cir. 2005), citing *Atlantic City Electric Co. v. FERC*, 295 F. 3d 1, 10 (D.C. Cir 2002).

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Moreover, the ITC Midwest 100% reimbursement policy is more consistent with the approved cost allocation for transmission upgrades under Attachment FF of the MISO Tariff.

For example, remote loads from ITC Midwest's service territory will pay load ratio shares of all transmission projects constructed under MISO's new MVP tariff provisions, which include projects that meet one of three criteria identified in Attachment FF:

- Multi Value Project must be developed through the transmission expansion planning process for the purpose of enabling the Transmission System to reliably and economically deliver energy in support of documented energy policy mandates or laws that have been enacted or adopted through state or federal legislation or regulatory requirement that directly or indirectly govern the minimum or maximum amount of energy that can be generated by specific types of generation. The MVP must be shown to enable the transmission system to deliver such energy in a manner that is more reliable and/or more economic than it otherwise would be without the transmission upgrade;
- Multi Value Project must provide multiple types of economic value across multiple pricing zones with a Total MVP Benefit-to-Cost ratio of 1.0 or higher where the Total MVP Benefit -to-Cost ratio is described in Section II.C.7 of this Attachment FF. The reduction of production costs and the associated reduction of LMPs resulting from a transmission congestion relief project are not additive and are considered a single type of economic value; and
- Multi Value Project must address at least one Transmission Issue associated with a projected violation of a NERC or Regional Entity standard and at least one economic-based Transmission Issue that provides economic value across multiple pricing zones. The project must generate total financially quantifiable benefits, including quantifiable reliability benefits, in excess of the total project costs based on the definition of financial benefits and Project Costs provided in Section II.C.7 of Attachment FF.⁶⁰

The MVP also includes lower voltage facilities necessary to support the high voltage line. Stated another way, under the ITC Midwest approach the primary beneficiaries of the additional local Network Upgrades pay for those facilities, while the broader network upgrades approved by MISO are allocated across the MISO footprint. Given the substantial benefits of ITC Midwest's methodology, a \$0 cost allocation to the ITC Midwest zone of Network Upgrades associated

⁶⁰ MISO Tariff, Attachment FF, Section II.C.2.

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with these new generator interconnections is not a just and reasonable outcome and is not supported by the relevant data. As a result, the Commission committed reversible error by failing to follow its own cost causation policy without explanation.

D. The July 18 Order Should Have Established Hearing Procedures.

Pursuant to Section 206 of the FPA, “the burden of proof to show that any rate, charge, classification, rule, regulation, practice, or contract is unjust, unreasonable, unduly discriminatory, or preferential shall be upon the Commission or the complainant.”⁶¹ Contrary to the requirements of Section 206, IPL failed to meet its burden of proof in this proceeding. Moreover, FERC erred by failing to hold a hearing and adduce further record evidence on this issue and as a result should grant rehearing and deny IPL’s complaint.

The Commission and the courts have long recognized that a complainant must do more than make unsubstantiated allegations.⁶² “Complainants carry the burden of proof” and must “demonstrate, on the basis of substantial evidence,” that the “rate in effect is unjust and unreasonable...”.⁶³ IPL failed entirely in meeting its burden of proof and failed to offer substantial evidence that ITC Midwest’s Attachment FF is unjust and unreasonable especially

⁶¹ 16 U.S.C. § 824e (2006) (emphasis added); *see also Ameren Servs. Co., N. Ind. Pub. Serv. Co. v. Midwest Indep. Transmission Sys. Operator, Inc*, 125 FERC ¶ 61,161 (2008) (“Complainants carry the burden of proof” and must “demonstrate, on the basis of substantial evidence,” that the “rate in effect is unjust and unreasonable...”).

⁶² *Interstate Power & Light Co. v. ITC Midwest, LLC*, 135 FERC ¶ 61,162 at P 18 (2011). *See also UNITIL Power Corp. v. Public Service Co. of New Hampshire and Northeast Utilities*, 62 FERC ¶ 61,055 at 61,287 (1993) (“The question we must answer at this stage of the proceeding is whether UNITIL has presented sufficient evidence of PSNH’s costs so that we may assess whether a trial-type, evidentiary hearing is warranted.”). *See also Houlton Water Company, et al. v. Maine Public Service Co.*, 55 FERC ¶ 61,037 at 61,110 (1991) (“Maine Public correctly states that a customer seeking a section 206 investigation of existing rates *must provide some basis* to question the reasonableness of the overall rate level, taking into account changes in all cost components and not just . . . [the item being challenged].” (emphasis added)).

⁶³ *Ameren Servs. Co., N. Ind. Pub. Serv. Co. v. Midwest Indep. Transmission Sys. Operator, Inc*, 125 FERC ¶ 61,161 (2008).

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given the overwhelming evidence provided by ITC Midwest that its Attachment FF methodology is just and reasonable.⁶⁴

Furthermore, given the lack of evidence provided by IPL and the substantial evidence provided by ITC Midwest, the Commission acted arbitrarily and capriciously by not requiring a hearing to be held to verify and resolve the disputed issues of material fact. The Commission should have required a hearing, and thus, did not engage in reasoned decision making.⁶⁵ The Commission, therefore, erred in not setting this proceeding for a trial type evidentiary hearing and should reverse its findings on rehearing.

E. Reversing Course on Attachment FF deprives ITC Midwest of Meaningful FPA Section 205 Rights.

The Commission's about face regarding ITC Midwest's Attachment FF is reversible error that has denied ITC Midwest of meaningful FPA Section 205 rights. In 2008, the Commission accepted proposals by ATC, ITC/METC, and ITC Midwest to reinstate 100 percent reimbursement for generator interconnection customers in their pricing zones.⁶⁶ With regard to adopting the 100% reimbursement, the Commission cited to "the importance of new transmission in encouraging new and renewable sources"⁶⁷ and reiterated the need to: (1) limit opportunities for Transmission Providers to favor their own generation; (2) facilitate market entry for generation competitors by reducing interconnection costs and time; and (3) encourage needed investment in generator and transmission infrastructure.⁶⁸ The reasons for approving the

⁶⁴ See Section III. A, *supra*.

⁶⁵ *Electricity Consumers Resource Council v. FERC*, 747 F.2d 1511, 1518 (D.C. Cir. 1984) (In expressing concern over a lack of record support for the Commission's position, the DC Circuit stated: "[t]here are a number of suggested post-hoc rationalizations in FERC's and the intervenors' briefs on review but those cannot substitute for record evidence or reasoned decision-making.").

⁶⁶ *American Transmission Co., LLC*, 120 FERC ¶ 61,221 (2007), *reh'g denied*, 123 FERC ¶ 61,065 (2008); *see also Int'l Transmission Co.*, 120 FERC ¶ 61,220 (2007), *reh'g denied*, 123 FERC ¶ 61,065 (2008).

⁶⁷ *International Transmission Co.*, 123 FERC ¶ 61,065 at P 15 (2008).

⁶⁸ *Id.*

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proposals in 2008 exist today and the Commission's July 18 Order to the contrary has not been adequately justified by the Commission.

In accepting ITC Midwest's initial Attachment FF proposal the Commission responded to a concern raised by Great River. The Commission noted, "[w]e do not agree with Great River that the proposal will result in an increased zonal rate *without benefits to other customers within the ITC Midwest zone*. The approach to interconnection pricing proposed here looks beyond the direct usage-related benefits of transmission system enhancements. It recognizes that benefits can take the form of improved reliability, improved ability to import generation due to counterflows that are created from the exporting generator, and reduced locational marginal prices (LMP)."⁶⁹ The Commission also reiterated, just as it had done in its previous Attachment FF Orders, that it has found that 100% reimbursement for Network Upgrades is just and reasonable, and that different rate proposals can be just and reasonable.⁷⁰ These Orders were issued under the MISO zonal transmission pricing structure that exists for the most part today. While there have been changes in certain transmission pricing of MVP and RECB I, these changes are not relevant to ITC Midwest's interconnection cost allocation policy. Thus, the Commission originally approved ITC Midwest's methodology fully aware that it would result in a different cost allocation with respect to generator responsibility for Network Upgrades within MISO zones.⁷¹

The July 18 Order did not adequately explain what evidence or facts changed such that Attachment FF, as applied to the ITC Midwest pricing zone, "became" unjust and unreasonable. As noted above, the MISO zonal rate structure was in place at the time of the original order. The

⁶⁹ *Id.* at P 18 (emphasis added).

⁷⁰ *Id.*

⁷¹ ITC Midwest Attachment FF Order.

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FPA, as affirmed by the courts, ensures that public utilities within RTOs retain their statutory 205 rates to propose and change rates.⁷² Order No. 2003 recognized that as an independent transmission owner ITC Midwest had the option but not the requirement to seek less than 100 percent reimbursement for network upgrades.⁷³ ITC Midwest appropriately exercised this right in having MISO file ITC Midwest's Attachment FF in 2007, and FERC recognized this in accepting it for filing. Importantly, under Commission precedent, as affirmed by the courts, ITC Midwest did not have to show that its existing, approved tariff provision was just and reasonable; IPL is the party that needed to show that ITC Midwest's filed rates were unjust and unreasonable.⁷⁴ This showing was never made, nor did FERC make a reasoned decision or citation to evidence in the record to support its finding that ITC Midwest's Attachment FF "became" unjust and unreasonable. Therefore, the Commission should grant rehearing and deny IPL's complaint.

F. The July 18 Order Discourages New Renewable Generation.

The Commission's findings in the July 18 Order are arbitrary and capricious and should be reconsidered. The policies of the nation and the Commission have been to encourage and promote the development of alternative fuels including renewable generation. Despite these stated policy goals, in the July 18 Order, the Commission has drastically altered its policy without reasoned explanation by foisting additional costs on renewable generators.

ITC Midwest's methodology supports President Obama's goals of diversifying America's energy sources. Specifically, in President Obama's Blueprint for a Secure Energy Future, it states that "A global race is underway to develop and manufacture clean energy

⁷² *Atl. City Elec. Co., et. al., v. FERC*, 295 F.3d 1 (D.C. Cir. 2002).

⁷³ Order No. 2003 at PP 28, 693-703.

⁷⁴ 16 U.S.C. § 824e (2006).

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technologies, and China and other countries are playing to win. To rise to this challenge, we need to tap into the greatest resource we have: American ingenuity. . . . By 2035, we will generate 80 percent of our electricity from a diverse set of clean energy sources – including renewable energy sources like wind, solar, biomass, and hydropower; nuclear power; efficient natural gas; and clean coal.”⁷⁵ Furthermore, numerous states have adopted Renewable Portfolio Standards to further this goal.⁷⁶ Instead of fostering renewable development, the Commission’s July 18 Order hinders the development of renewables by increasing the costs to renewable developers to connect to the grid without taking into account the numerous benefits of such interconnections. Moreover, the July 18 Order may have the unintended consequence of generators locating in sub-optimal parts of the grid just to minimize network upgrades which could lead to higher fuel transmission costs and ultimately higher costs to consumers. Wind generators should locate where the wind blows instead of where the interconnection costs may be the least. Again, this creates a subsidization issue where the reliability of the grid is being funded by generators instead of the true beneficiaries of the network upgrades.

In addition, ITC Midwest’s methodology supports the Commission’s policy goals of developing renewable generation.⁷⁷ The Commission’s Order No. 1000 relied on the need to

⁷⁵ Blueprint for a Secure Energy Future, March 30, 2011, *available at* http://www.whitehouse.gov/sites/default/files/blueprint_secure_energy_future.pdf.

⁷⁶ For example, as of March 2013, 39 states and the District of Columbia have a renewable portfolio standard or goal. U.S. Dept. of Energy, Database of State Incentives for Renewables & Efficiency, *Renewable Power and Energy Efficiency Market: Renewable Portfolio Standards 1*, *available at* <http://www.dsireusa.org/summarymaps/index.cfm?ee=1&RE=1>. In addition, the federal production tax credit, which has been in effect intermittently since the early 1990s, provides an inflation-adjusted credit for power produced from VERs and other renewable resources. 26 U.S.C. § 45 (2007). In February 2009, the American Recovery and Reinvestment Act extended the production tax credit for a period of three additional years and also instituted an investment tax credit, which allows developers of certain renewable generation facilities to take a 30 percent cash grant in lieu of the production tax credit. American Recovery and Reinvestment Tax Act of 2009, Pub. L. No. 111-5, § 1101, 123 Stat. 115, 319-20 (2009). Other federal policies that provide incentives to renewable generation facilities include accelerated depreciation of certain renewable generation facilities and loan guarantee programs.

⁷⁷ Notably, the Commission’s own website touts the benefits of renewable integration. “The use of renewable energy resources to generate electricity has the potential to be a cost-effective means not only to reduce greenhouse

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access renewable energy as a justification for expanding transmission planning requirements.

“Further, regional transmission planning could better identify transmission solutions for reliably and cost-effectively integrating location-constrained renewable energy resources needed to fulfill Public Policy Requirements such as the renewable portfolio standards adopted by many states.”⁷⁸

While Order No. 1000 relied on the expansion of renewable generation to justify its expanded planning requirements, the July 18 Order inexplicably attacks the development of renewable generation by forcing additional costs onto renewable projects without justification. Instead of fostering the development of renewable generation, the July 18 Order stymies the development of renewable generation. ITC Midwest’s methodology, as previously determined by the Commission, is just and reasonable and the Commission’s shift to find that it now needs to be revised is not justified by reasoned decision making.⁷⁹

By reimbursing the generator for the cost of Network Upgrades required to interconnect their renewable generation, ITC Midwest’s methodology encouraged renewable generators to site their projects in ITC Midwest’s region where wind is abundant and higher generating

gas emissions, but also to diversify the fuels used to generate electricity. The Commission will continue to pursue market reforms to allow all resources, including renewable energy resources, to compete in jurisdictional markets on a level playing field. These efforts could include amendments to market rules, the modification or creation of ancillary services and related policies, or the implementation of operational tools that support the reliable integration of renewable resources. By implementing these or other reforms, the Commission’s actions have the potential to increase the amount of electricity being produced from renewable energy resources.” Available at <http://www.ferc.gov/industries/electric/indus-act/integration-renew.asp>.

⁷⁸ *Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities*, Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at P 81 (2011), *order on reh’g*, Order No. 1000-A, 139 FERC ¶ 61,132; *order on reh’g*, Order No. 1000-B, 141 FERC ¶ 61,044 (2012).

⁷⁹ In fact, the Commission has long recognized the difficulties in wind developers obtaining access to the grid and has approved alternative pricing mechanisms to access such renewable generation. “The difficulties faced by generation developers seeking to interconnect location-constrained resources are real, are distinguishable from the circumstances faced by other generation developers, and such impediments can thwart the efficient development of needed infrastructure. The CAISO’s proposal is consistent with our policies that recognize and accommodate the unique circumstances of renewable resources, which are often location-constrained, and it advances state, regional and federal initiatives to encourage the development of renewable generation in a manner that satisfies our responsibilities under the Federal Power Act (FPA). *California ISO*, 119 FERC ¶ 61,061 at P 2 (2007).

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capacity factors can be attained. In fact, ITC Midwest's policy has benefited Iowa itself.⁸⁰ Iowa's renewable policy "is already generating significant benefits to Iowa's economy and environment. Thousands of Iowans are employed at companies that provide goods and services for wind energy and solar energy. Meanwhile, the thousands of recently installed wind turbines have allowed Iowa utilities to generate less electricity from fossil-fueled power plants, which means cleaner air and water for Iowa and beyond. Compared to just ten years ago, there has been a huge increase in the renewable energy technologies installed in both urban and rural Iowa, but the state has only begun to tap the enormous potential for renewable energy. As these resources are developed with solar photovoltaic panels, solar hot water systems, wind turbines, and other technologies, the considerable economic and environmental benefits will only grow. The mix of public policies and utility practices that are in place across Iowa are a fundamental part of how – or whether – we will continue to develop renewable energy resources and attain the many benefits that they provide."⁸¹

Therefore, the Commission erred in its July 18 Order by failing to justify its unexplained policy shift from supporting the development of renewable resources to penalizing the development of renewable resources.⁸² As a result, the Commission should grant rehearing of its July 18 Order and find that ITC Midwest's methodology is just and reasonable.

⁸⁰ See generally Donald Morrow, Economic Impacts of Transmission Investment in 2013 ITC Midwest Spring Partners In Business Meeting, at p. 10, available at http://www.oasis.oati.com/woa/docs/ITCM/ITCMdocs/2013_ITC_Midwest_PIB_Spring_Slides_Minnesota_Revise_d_5-31-13_%5bRead-Only%5d.pdf.

⁸¹ Policy Paper, Renewable Energy Incentive Rates: Potential Opportunities for Iowa Farmers, Iowa Environmental Council, available at <http://www.leopold.iastate.edu/sites/default/files/pubs-and-papers/2012-02-renewable-energy-incentive-rates-potential-opportunities-iowa-farmers.pdf>.

⁸² The Commission failed to provide a meaningful explanation for its determinations, and its findings in this regard are inconsistent with its own directives and thus are contrary to reasoned decision making. *Williams*, 475 F.3d at 327, 329; *Idaho Power Co. v. FERC*, 312 F.3d 454, 462-64 (D.C. Cir. 2002); *Process Gas Consumers Group v. FERC*, 177 F.3d 995 at 1004 (D.C. Cir. 1999), *order on compliance*, 91 FERC ¶ 61,333 (2000), *order on remand*, 91 FERC ¶ 61,053 (2000), *reh'g denied*, 94 FERC ¶ 61,097 (2001), *petitions for review denied sub nom.*, *Process Gas Consumers Group v. FERC*, 292 F.3d 831, 837 (D.C. Cir. 2002); see also *ANR*, 863 F.2d 959 at 963-64 (1988).

IV. REQUEST FOR CLARIFICATION

If the Commission does not grant rehearing, ITC Midwest seeks clarification that: (1) its Interconnection Customers that have connected under provisional GIAs prior to the FERC order will be treated under the previous 100% policy when their studies are completed and network upgrades determined; and (2) that all Interconnection Customers that had reached the MISO generator interconnection queue process M2 milestone date by July 18 will remain under the prior ITC Midwest Attachment FF 100% reimbursement policy.

As the Commission is aware, pursuant to Attachment X, Generator Interconnection Procedures of the MISO Tariff provides:

11.5 Special Considerations.

Upon the request of Interconnection Customer, and prior to completion of requisite Network Upgrades or Stand Alone Network Upgrades, Transmission Provider may provide a provisional Generator Interconnection Agreement for limited operation at the discretion of Transmission Provider based upon the results of available studies. At a minimum, Interconnection Customer must demonstrate, through available studies, that any Network Upgrades, Interconnection Facilities, Distribution Upgrades, System Protection Upgrades and/or Generator Upgrades that are necessary to meet the requirements of NERC, or any applicable Regional Entity for the interconnection of a new, modified and/or expanded generator are in place prior to the commencement of generation from the Generating Facility. Where available studies indicate that such facilities that are required for the interconnection of a new, modified and/or expanded generator are not currently in place, Transmission Provider will perform an Interconnection Facilities Study in order to confirm the facilities that are required for provisional interconnection service and to determine the details (*e.g.*, configuration) of such facilities.

ITC Midwest seeks clarification that current Interconnection Customers who have provisional GIAs can be treated under previous ITC Midwest Attachment FF policy (the 100% reimbursement for network upgrades), as these customers previously made business decisions

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regarding their interconnections based on the policy in effect when they provisionally interconnected. To now change the policy on these customers would be undue discrimination.⁸³

Moreover, the same holds true for those interconnection customers that have reached the M2 milestone payment under the MISO's interconnection procedures. The M2 milestone payment demonstrates an interconnection customer's readiness for the Definitive Planning Phase. The M2 milestone payment is significant⁸⁴ and near the end of the interconnection process. To suddenly require these interconnection customers which have paid significant sums to now be subject to a new interconnection policy is not just and reasonable and is unduly discriminatory. As a result, ITC Midwest seeks clarification that its Interconnection Customers that have made M2 milestone payments as of July 18, 2013, will be subject to the 100% reimbursement network upgrade policy.

V. REQUESTED RELIEF

- Grant Rehearing and dismiss IPL's complaint.

⁸³ See, e.g., *Midwest Indep. Transmission Sys. Operator, Inc.*, 132 FERC ¶ 61,184 at P 129 (2010) (“As market participants cannot revisit commercial decisions made based on the expected rate, resettling ... charges to require refunds... would potentially render previous transactions uneconomic and would be an unfair and inequitable remedy.”); *Midwest Indep. Transmission Sys. Operator, Inc.*, 132 FERC ¶ 61,185 at P 74 (2010) (“[w]e hesitate to undo any economic decisions made on this basis, given that they cannot be revisited regardless of the basis for reliance.”); *New York Ind. Sys. Operator Corp.*, 122 FERC ¶ 61,211 at P 147 (2008) (“given the impossibility of predicting and restoring what might have happened in the market under an alternative set of circumstances, and as market participants can neither revisit economic decisions nor retroactively alter their conduct, refunds should not be granted” *clarified on reh'g*, 131 FERC ¶ 61,170 (2010)); *N.Y. Indep. Sys. Operator Corp.*, 92 FERC ¶ 61,073 at 61,307 (2000) (“customers cannot effectively revisit their economic decisions in these circumstances, and parties cannot retroactively alter their conduct”).

⁸⁴ Pursuant to Attachment X of the MISO Tariff, Section 8.2, the M2 Milestone payment is:
Ten percent (10%) of the sum of the following calculation, with a minimum charge of \$2000 per gross MW addition and a maximum charge of \$10,000 per gross MW addition:
(Schedule 7 \$/MW MISO Drive-Through and Drive-Out yearly rate for interconnecting Zone multiplied by the gross MW capacity increase to the Generating Facility) +
(Constant \$ amount per table below for each voltage level multiplied by the number of constraints shown in Feasibility Study, for that voltage level)

Feasibility Study Constraint Voltage level	Constant \$ amount
345 kV	\$ 350,000
230 kV	\$ 200,000
161 kV	\$ 130,000
138 kV	\$ 130,000
115 kV	\$ 130,000
69 kV	\$ 125,000

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- Clarify that ITC Midwest's provisional GIA customers will continue to be subject to the 100% reimbursement network upgrade policy previously contained in ITC Midwest's Attachment FF.
- Clarify that ITC Midwest's interconnection customers that have made M2 milestone payments as of July 18, 2013, will be subject to the 100% reimbursement network upgrade policy previously contained in ITC Midwest's current Attachment FF.

VI. CONCLUSION

Based on the foregoing, ITC Midwest respectfully requests that the Commission grant rehearing, or in the alternative, clarification of the July 18 Order as discussed above.

Respectfully Submitted,

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Dated: August 16, 2013

CERTIFICATE OF SERVICE

I hereby certify that I have, on this 16th day of August, 2013, served the foregoing document, via electronic mail, upon each person designated on the official service list compiled by the Secretary in this proceeding.

/s/ Allison B. Nicholson _____
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**Appendix 4 – IPL Request to FERC for Clarification on ITC-M Attachment FF Order
(Docket No. EL12-104-000)**

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Interstate Power and Light Company,)	
)	
Complainant,)	
)	
v.)	Docket No. EL12-104-000
)	
ITC Midwest, LLC,)	
)	
Respondent.)	

REQUEST FOR CLARIFICATION OF
INTERSTATE POWER AND LIGHT COMPANY

Pursuant to Rule 713 of the Federal Energy Regulatory Commission’s (“FERC” or “Commission”) Rules of Practice and Procedure,¹ Interstate Power and Light Company (“IPL”) submits this Request for Clarification of the Commission’s order issued on July 18, 2013, in the above-captioned proceeding. *Interstate Power & Light Co. v. ITC Midwest, LLC*, 144 FERC ¶ 61,052 (2013) (“July 18 Order”). IPL requests that the Commission clarify that for existing Generator Interconnection Agreements (“GIA” or “GIAs”) that are amended after the effective date of the July 18, 2013 Order, generator interconnection customers are entitled to recover 10% of their interconnection-related network upgrade costs for network upgrades rated at or above 345 kV, and are not eligible for cost reimbursement for network upgrades rated lower than 345 kV.

¹ 18 C.F.R. §§ 385.713 (2013).

Appendix 4

I. BACKGROUND

On September 14, 2012, IPL filed a complaint against ITC Midwest, LLC (“ITCM”) pursuant to Section 206 of the Federal Power Act,² seeking to change a provision of the Midwest Independent Transmission System Operator, Inc.’s (“MISO”) Open Access Transmission, Energy and Operating Reserve Markets Tariff (“MISO Tariff”) that governed network upgrade compensation to generator interconnection customers in the ITCM pricing zone. In particular, under Attachment FF, section III.A.2.d.4, generator interconnection customers of ITCM are able to recover from ITCM up to one hundred percent of their reimbursable interconnection-related network upgrade costs (the “100% reimbursement policy”), which are rolled into the zonal transmission cost of service recovered from transmission customers. In contrast, generator interconnection customers of other Transmission Owners in MISO are only able to recover up to ten percent of their interconnection-related network upgrade costs for projects rated 345 kV or above and are not eligible for cost reimbursement for projects rated lower than 345 kV (the “Prevailing Policy”); the remaining costs must be financed by the interconnection customer.

In its complaint, IPL provided evidence that section III.A.2.d.4 was unjust and unreasonable as applied to IPL and its customers. For example, as a measure of the cost shift to IPL and its customers caused by section III.A.2.d.4, IPL explained that it had paid approximately \$44.7 million in generator interconnection-related costs between 2008 and 2011, yet IPL would only have paid \$12.3 million had the Prevailing Policy been applied. Moreover, IPL explained that the difference in costs to IPL over the period between 2008 and 2016 would amount to approximately \$170.5 million. IPL also provided evidence that it had not received benefits commensurate with the additional costs it had paid.

² 16 U.S.C. § 824e.

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In the July 18 Order, the Commission granted IPL's complaint and found that ITCM's 100% reimbursement policy, in the context of MISO's zonal rate structure, results in an improper subsidy and is therefore unjust, unreasonable and unduly discriminatory or preferential.³ The Commission noted that when an interconnection customer located in the ITCM pricing zone exports its power to another pricing zone, full reimbursement by ITCM of the cost of the network upgrades required for the interconnection service occurs without adequate contribution to the embedded costs of the ITCM transmission system by the interconnection customer or transmission customer exporting the power.⁴ Instead, the costs are subsidized by transmission customers serving load in the ITCM zone.⁵

To remedy this, the Commission directed MISO to revise section III.A.2.d of Attachment FF such that the Prevailing Policy used for other MISO zones is applicable to generation interconnection customers in the ITCM pricing zone as well. The Commission's relief applies prospectively from the date of the July 18 Order. The Commission explained that the reimbursement policy that will apply to a generator interconnection customer will be the policy in effect on the date that the customer's GIA is executed or filed with the Commission, if unexecuted.⁶ However, the Commission declined to specify the treatment for GIAs executed under the prior reimbursement policy that are amended to add additional network upgrades; the Commission explained that "such amendments are more appropriately addressed on a case-by-case basis to give consideration to the situation giving rise to the amendments."⁷ As a result, IPL is concerned that the Commission's decision to not include a clear demarcation point concerning

³ July 18 Order at P 33.

⁴ *Id.* at P 40.

⁵ *See id.*

⁶ *See id.* at P 43.

⁷ *See id.* at P 44.

Appendix 4

amendments will result in uncertainty for all parties and will likely lead to further disputes and litigation.

II. STATEMENT OF ISSUES AND SPECIFICATION OF ERROR

1. Whether the Commission should clarify that GIAs executed before July 18, 2013, will be subject to the revised reimbursement policy if the GIAs are amended to add additional network upgrades. *IPL requests that the Commission clarify that the Prevailing Policy will apply to existing GIAs that are amended after the date of the July 18 Order.*

III. REQUEST FOR CLARIFICATION

IPL requests that the Commission clarify that the Prevailing Policy will apply to existing GIAs that are amended after the date of the July 18 Order. By providing this clarity, the Commission will provide clear guidance to those negotiating GIA amendments, thus minimizing protracted litigation and promoting efficient transmission system planning and build-out.

IPL generally concurs with the Commission's findings, including the determination that the revised interconnection reimbursement policy should be applied prospectively to GIAs executed after the date of the July 18 Order (or to unexecuted GIAs filed with the Commission after the date of the order). However, IPL respectfully requests that the Commission grant clarification of its consideration of how amendments to GIAs executed prior to the July 18 Order will be addressed. In the July 18 Order, the Commission declined to specify the treatment for GIAs executed under the prior reimbursement policy that are amended to add additional network upgrades, and instead stated that it would address such GIAs on a case-by-case basis.⁸ The Commission suggested that it would take a case-by-case approach in order to give consideration to the situation giving rise to the amendments.

⁸ July 18 Order at P 44.

Appendix 4

The Commission's precedent supports a clarification that the Prevailing Policy will apply to existing GIAs that are amended to add network upgrades. For example, in *Midwest Independent Transmission System Operator, Inc.*, 125 FERC ¶ 61,210 (2008), which the Commission cited in the July 18 Order,⁹ the Commission considered whether MISO's recent revisions to its generator reimbursement policy, which, at the time applied a 50/50 sharing of the network upgrade costs between interconnection customers and transmission customers, applied to an amended GIA that had been modified after the 50/50 reimbursement policy had become effective, in order to include additional upgrades. The Commission concluded that, while the existing network upgrades governed by the GIA should be subject to the prior reimbursement policy, the 50/50 reimbursement policy should apply to the upgrades because the GIA amendment was executed after that policy became effective.¹⁰

The Commission's determination in *Midwest Independent Transmission System Operator, Inc.* is consistent with its precedent in Order No. 2003.¹¹ Under Order No. 2003, an amendment to an existing interconnection agreement to increase capacity, causing additional network upgrades, is treated as an *entirely new interconnection request* that must be placed in the interconnection request queue.¹² Thus, amendments to existing GIAs resulting in additional network upgrades should be treated no differently than new interconnection requests or GIAs, and accordingly should be subject to the Prevailing Policy.

⁹ See *id.* at n. 92.

¹⁰ *Midwest Independent Transmission System Operator, Inc.*, 125 FERC ¶ 61,210 at P 17-26.

¹¹ *Standardization of Generator Interconnection Agreements and Procedures*, Order No. 2003, FERC Stats. & Regs. ¶ 31,146 (2003), *order on reh'g*, Order No. 2003-A, FERC Stats. & Regs. ¶ 31,160, *order on reh'g*, Order No. 2003-B, FERC Stats. & Regs. ¶ 31,171 (2004), *order on reh'g*, Order No. 2003-C, FERC Stats. & Regs. ¶ 31,190 (2005), *aff'd sub nom. Nat'l Ass'n of Regulatory Util. Comm'rs v. FERC*, 475 F.3d 1277, 374 U.S. App. D.C. 406 (D.C. Cir. 2007), *cert. denied*, 552 U.S. 1230, 128 S. Ct. 1468, 170 L. Ed. 2d 275 (2008).

¹² See *pro forma* Large Generator Interconnection Procedures, § 1 (definition of "Interconnection Request").

Appendix 4

IPL is concerned that if the Commission does not grant clarification that new upgrades to an existing GIA will be subject to the Prevailing Policy, consistent with applicable precedent, there will be further disputes or litigation regarding the issue.¹³ In this case, the Commission has already found that, based upon the record, an improper subsidy is caused by applying the 100% reimbursement policy to generator interconnection-related network upgrades in the ITCM zone.¹⁴ There is no particular scenario that could justify application of the 100% reimbursement policy to new upgrades associated with a previously-executed GIA, forcing IPL and its customers to subsidize the upgrade.

IV. REQUEST FOR RELIEF

WHEREFORE, for the foregoing reasons, IPL requests that the Commission grant the requested clarification of the July 18 Order, to indicate that the Prevailing Policy will apply to existing GIAs that are amended to add network upgrades.

Respectfully submitted,

/s/ Floyd L. Norton, IV

Floyd L. Norton, IV
Joseph W. Lowell
Morgan, Lewis & Bockius, LLP
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Alliant Energy Corporate Services, Inc.
4902 N. Biltmore Lane, Suite 1000
Madison, WI 53718
Phone: (608) 458-6217
cortlandtchoate@alliantenergy.com

Dated: August 19, 2013

¹³ Pursuant to section II.A.2.d of Attachment FF, the 10% reimbursement policy applies to network upgrades rated at 345 kV or above. For network upgrades that are rated below 345 kV, the interconnection customer is responsible for 100% of the costs.

¹⁴ July 18 Order at P 40-41.

CERTIFICATE OF SERVICE

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

Dated at Washington, D.C. this 19th day of August, 2013.

/s/ Joseph W. Lowell
Joseph W. Lowell
Morgan, Lewis & Bockius LLP
1111 Pennsylvania Avenue, N.W.
Washington, D.C. 20004

Appendix 5 – AEC and IPL filing of Form 8-K to SEC December 16, 2013

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): December 13, 2013

<u>Commission File Number</u>	<u>Name of Registrant, State of Incorporation, Address of Principal Executive Offices and Telephone Number</u>	<u>IRS Employer Identification Number</u>
1-9894	Alliant Energy Corporation (a Wisconsin corporation) 4902 N. Biltmore Lane Madison, Wisconsin 53718 Telephone (608) 458-3311	39-1380265
1-4117	Interstate Power and Light Company (an Iowa corporation) Alliant Energy Tower Cedar Rapids, Iowa 52401 Telephone (319) 786-4411	42-0331370

This combined Form 8-K is separately filed by Alliant Energy Corporation and Interstate Power and Light Company.

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-
-

Item 7.01 Regulation FD.

On December 16, 2013, representatives of Alliant Energy Corporation and Interstate Power and Light Company (Alliant Energy's Iowa utility) will attend an investor conference. The following regulatory update is being provided in connection with that conference.

Alliant Energy provides update on Marshalltown Generation Station (MGS) activities and transmission

As previously announced, Iowa Utilities Board (IUB) Chair Jacobs, as presiding officer for the MGS administrative hearing, issued the Proposed Decision and Order on November 9, 2013 and Alliant Energy's Iowa utility accepted such order on November 19, 2013. The order provides a cost cap for the project of \$920 million, including the facility, transmission costs, owners' costs and AFUDC.

On December 9, 2013 Chair Jacobs issued an Order Clarifying Decision, in response to an intervener's request for clarification, stating that all costs related to the transmission construction and reimbursements, including any potential tax gross up payments, are included in the \$920 million cost cap. The clarifying decision also stated the cost cap is not reduced if Alliant Energy's Iowa utility receives reimbursement for MGS transmission costs. However, refunds or reimbursements from other interconnecting generators received by Alliant Energy's Iowa utility for any MGS transmission upgrade costs would be returned to ratepayers in a manner to be determined by the IUB. According to the clarifying decision, all transmission network upgrade costs, including amounts for which Alliant Energy's Iowa utility might be reimbursed, are included in the overall cost cap.

Alliant Energy's Iowa utility expected to fund capital transmission upgrades for MGS based on the July 2013 FERC Attachment FF decision (Docket No. EL12-104-000) and assumed such upgrades in its capital expenditure guidance issued on November 7, 2013. Alliant Energy's Iowa utility has been informally notified that ITC Midwest LLC (ITC-M) intends to pursue an option under the terms of the MISO Generator Interconnection Procedures to self-fund the transmission upgrades associated with MGS. Under this option, Alliant Energy's Iowa utility anticipates a direct assignment facility expense for the network upgrades after the upgrades are placed into service. Alliant Energy's Iowa utility does not believe that the cost cap included in the Proposed Decision and Order would be affected if ITC-M were to ultimately self-fund the transmission upgrade.

The IUB's overall approval of MGS is conditional upon attaining other permitting approvals necessary to construct and operate the MGS. One required approval is IUB approval of construction of the gas pipeline necessary to service the facility. Recently, Alliant Energy's Iowa utility received final approval of the needed gas pipeline construction. Pending all additional regulatory approvals, IPL expects to begin construction on MGS in 2014 and begin operations in 2017.

This Current Report on Form 8-K contains forward-looking statements. These forward-looking statements can be identified as such because the statements include words such as “believe,” “expects,” “anticipates,” “may,” “would” or other words of similar import. Similarly, statements that describe future plans or strategies are also forward-looking statements. Such statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those currently anticipated. Actual results could be affected by such factors as: state or federal regulatory actions or local government actions, including inability to obtain all necessary approvals and permits; current or future litigation, regulatory investigations, proceedings, appeals or inquiries that could impede the implementation of IPL’s plans; changes in costs of materials, equipment, commodities, fuel or labor; shortages in materials, equipment and qualified labor; changes to the scope or timing of the projects; general contractors or subcontractors not performing as required under their contracts; the inability to agree to contract terms or disputes in contract terms; poor initial cost estimates; work stoppages; adverse weather conditions; adverse interpretation or enforcement of permit conditions; changes in applicable laws or regulations; unforeseen engineering or technology issues; and limited access to capital and other adverse economic conditions. These factors should be considered when evaluating the forward-looking statements and undue reliance should not be placed on such statements. The forward-looking statements included herein are made as of the date hereof and Alliant Energy and Interstate Power and Light Company undertake no obligation to update publicly such statements to reflect subsequent events or circumstances.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, Alliant Energy Corporation and Interstate Power and Light Company have each duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ALLIANT ENERGY CORPORATION

Date: December 13, 2013

By: /s/ Thomas L. Hanson

Thomas L. Hanson
Senior Vice President and
Chief Financial Officer

INTERSTATE POWER AND LIGHT COMPANY

Date: December 13, 2013

By: /s/ Thomas L. Hanson

Thomas L. Hanson
Senior Vice President and
Chief Financial Officer

Appendix 6 – IPL Questions for ITC-M Following Fall 2013 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

October 23, 2013

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 review of the ITC Midwest 2014 Projected Attachment O rates and materials presented at the 2013 ITC Midwest Fall Partners in Business Planning and Attachment O Meetings on October 9-10, 2013:

1. As we requested at the October 9 meeting, please describe any adjustments made to the ITC Midwest projected 2014 Attachment O rate as a result of the July 18, 2013 FERC Order regarding ITC Midwest's Attachment FF provision of the MISO Tariff.
2. Regarding the projected project list for 2014 on slide 144, will customers of IPL experience any costs associated with the Wever Fertilizer Plant project listed at \$5.26 million?
3. On slide 142, MISO MTEP Project ID 3502 is for NERC Alert Ratings Analysis. Please provide a list of the lines/projects included in the \$21M projected. Does the \$21M include all of the NERC Alert projects through 2014, or is the \$21M a 2014 only cost? Please explain why some NERC Alert projects are included in \$21M, and others perceived to be of the same type are separately identified (for example, project ID's 4091, 4096, 4097, and 4098 on slide 143).
4. On slide 142, please indicate the locations where the project work for MISO MTEP ID 4122 Annual Misc. Line Equipment Replacement and MISO MTEP ID 4123 Breaker Replacements will be performed.
5. On slide 142, please provide an explanation of the cost difference between the initial MTEP submittal and updated cost estimate for MISO MTEP ID 3628 Mason City 69 kV upgrades. The original MTEP cost estimate for this project in MTEP 12 was \$3.2M, compared to the \$16.8M shown here. What lower cost alternatives have been considered?

Appendix 6

6. On slide 143, please provide an explanation of the cost difference between the initial MTEP submittal and updated cost estimate for MISO MTEP ID 1618 Heron Lake – Lakefield 161 kV re-build. The original MTEP cost estimate for this project in MTEP 08 was \$14M, and the cost on slide 143 is now \$25.6M.

We appreciate your consideration of these questions, 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 (Alliant Energy)
Eric Guelker (Alliant Energy)
Doug Collins (ITC Midwest)
Mike Dabney (ITC Midwest)

**Appendix 7 - ITC-M Responses to IPL Questions from Fall 2013 Partners in
Business Meeting and 2013 Attachment O Posting**

Appendix 7

IPL questions from the ITC Midwest 2014 Projected Attachment O rates and materials presented at the 2013 ITC Midwest Fall Partners in Business Planning and Attachment O Meetings on October 9-10, 2013:

1. As we requested at the October 9 meeting, please describe any adjustments made to the ITC Midwest projected 2014 Attachment O rate as a result of the July 18, 2013 FERC Order regarding ITC Midwest's Attachment FF provision of the MISO Tariff.

Q1 Response: ITC Midwest has not made any adjustments to the projected 2014 Attachment O rate as a result of the July 18, 2013 FERC Order in Docket EL12-104 since there are no projects subject to the new provisions in 2014 projected rates. The July 18, 2013 Order required ITC Midwest's Attachment FF provisions to be revised to the generally applicable provisions in Attachment FF of the MISO Tariff which requires 100% funding by the Interconnection Customer with a 10% reimbursement in cases where the Network Upgrades are 345 kV or above. Under the pre-July 18, 2013 ITC Midwest Attachment FF, Interconnection Customers were eligible for reimbursement of 100% of Network Upgrades.

The Projected 2014 Attachment O rate includes costs from facilities going in service in 2014 associated with one generator interconnection project that ITC Midwest believes is subject to the pre-July 18, 2013 reimbursement policy. This project included in the 2014 capital projects is MTEP ID 2339 G612. The original GIA was signed on July 8, 2008, amended in 2009 and 2012, and further amended on August 27, 2013. The 2013 amendment solely reduced the customer's upgrade responsibilities by removing the obligation to install a transformer because an IPL load interconnection project and CIPCO transmission upgrade eliminated the need for the transformer. Since the facilities being completed in 2014 were identified in the GIA executed prior to July 18, 2013, the post-July 18, 2013 ITC Midwest Attachment FF will not be applicable.

2. Regarding the projected project list for 2014 on slide 144, will customers of IPL experience any costs associated with the Wever Fertilizer Plant project listed at \$5.26 million?

Q2 Response: The Wever Fertilizer Plant will initially be served via the ITC Midwest system and under Network Transmission service in the ITC Midwest zone, therefore during this time period the project costs will be rolled into the ITC Midwest network rate. If network service is subsequently terminated for this load, ITC Midwest has proposed a facilities charge to the customer designed to offset the remaining costs associated with this project. The facilities charge revenues would be part of the revenue credit in ITC Midwest's Attachment O. Such an agreement will protect ITC Midwest's network transmission customers in the event the Wever Plant no longer takes network service.

3. On slide 142, MISO MTEP Project ID 3502 is for NERC Alert Ratings Analysis. (A) Please provide a list of the lines/projects included in the \$21M projected. (B) Does the \$21M include all of the NERC Alert projects through 2014, or is the \$21M a 2014 only cost? (C) Please explain why some NERC Alert projects are included in \$21M, and others perceived to be of the same type are separately identified (for example, project ID's 4091, 4096, 4097, and 4098 on slide 143).

Q3(A) Response: MTEP 3502 NERC Alert includes the following projects identified for 2014:

DAEC-6th St
Jefferson-Wapello County
DAEC-Fairfax
Marshalltown-Traer
Poweshiek County-Reasnor
Beacon-Poweshiek County
Calamus East-Dewitt
Newton Eighth St-Reasnor
Burlington Gen Station-Denmark 1
Beverly-Prairie Creek Industrial
Winnebago-Winnebago Junction
Calamus-Sutliff
Albany-Beaver Creek
Prairie Creek-Sutliff
Denmark-Viele

NERC has provided a time extension to ITC Midwest to complete the analysis. As design engineering data analysis is completed in 2014, additional circuits are expected to be added to this list.

Q3(B) Response: The \$21M reflects the transfers from CWIP to ratebase for facilities that are estimated to go into service in 2014.

Q3(C) Response: For any transmission line assessed and found to have discrepancies as part of the NERC Alert program, ITC Midwest will mitigate the most limiting discrepancies to the extent the line can be rated to a capacity necessary for reliable and safe operation of the transmission system in the operating horizon “minimum operating rating”. This minimum operating rating is applied and utilized in the various on-going planning horizon assessments. To the extent the minimum operating rating is determined to not meet planning horizon requirements, ITC Midwest will mitigate all remaining discrepancies on the transmission line section. The NERC Alerts Rating Analysis project (MTEP ID 3502) was submitted through the MISO MTEP process and no costs for any other MTEP projects are included.

4. On slide 142, please indicate the locations where the project work for MISO MTEP ID 4122 Annual Misc. Line Equipment Replacement and MISO MTEP ID 4123 Breaker Replacements will be performed.

Q4 Response: MTEP ID 4122 Annual Misc. Line Equipment Replacement project is a combination of equipment classifications including line arrestors, line insulators, pole guying and cross arms. The decision to replace these categories of equipment results from the annual electric line and pole inspection findings. Examples of the locations for this 2014 planned work that fall into one or more of the listed equipment classifications include:

Appendix 7

Agency Street-Fourth Street 69kV
Belmond Diesel-Willemsen 69kV
Bittersweet-Northeast Ankeny 161kV
Grand Junction North Ckt 2030 34.5kV Line
Boyson Commercial-Hiawatha 69kV
Bridgeport North-Centerville North 69kV
Burlington North-Wapello City 69kV
Cresco-Decorah 69kV
Dubuque Seventeenth Street-Gardners Lane 69kV
Albia-Chariton Line 69kV
Perry Ckt 3030 34.5kV Line
Emery 161-Hancock 161kV Line
Fairbank-Hazleton 69kV Line
Fairfax Ckt 5530 69kV
Monona-Postville (Dpc) 69kV
Oskaloosa Ckt 609 60kV Line
Prairie Creek-Sutliff 115 kV Line
Marion-Prairie Creek 115kv
Bittersweet-Perry 161kV Line
Jefferson County-Wapello County 1 161kV
Lucas County-Ottumwa Generation 161kV Line 161

The following circuit breakers have been scheduled for replacement in 2014 and are included in MTEP ID 4123 Breaker Replacements. This list will change as the year progresses and the capital project plan and schedule are adjusted for a variety of factors including, but not limited to, resource availability, outage constraints, manpower constraints, emergency replacements, and others.

Albany 360
Corydon 6927-2
Rock Creek 171
Gardners Lane 266
Lime Creek 030, 027, 031, & 044
Hiawatha 0800
Prairie Creek 3400
Boone Junction 8910 & 8930
Viele 9370
Savanna 349 & 3514
Marion 3710, 3720, 3730, & 6310

5. (A) On slide 142, please provide an explanation of the cost difference between the initial MTEP submittal and updated cost estimate for MISO MTEP ID 3628 Mason City 69 kV upgrades. The original MTEP cost estimate for this project in MTEP 12 was \$3.2M, compared to the \$16.8M shown here. (B) What lower cost alternatives have been considered?

Appendix 7

Q5(A) Response: The Partners in Business presentation slide (142) which described ITC Midwest's projected 2014 capital additions by project included the *Mason City 69KV Upgrades* project (MTEP ID 3628) with an estimated cost of \$16.8M. The cost differential between the amount provided in the presentation which reflects the estimated 2014 transfers into ratebase and the original MTEP12 cost estimate of \$3.2M is due to the following:

- **Multiple MTEP projects under one name:** the *Mason City 69 kV Upgrades* project in the ITC Midwest presentation is comprised of two MTEP projects, the *Lehigh Switch Station* project (MTEP ID 3628) and the *Emery-Lehigh Rebuild* project (MTEP ID 4107) which initially had MTEP12 estimated costs of \$3.2M and \$1.9M, respectively. Subsequent to the MTEP12 submission, the total estimate of \$5.1M for the *Mason City 69 kV Upgrades* project was increased to \$8.1M estimated 2014 transfers into ratebase (or \$5.6M for MTEP ID 3628 *Lehigh Switch Station* and \$2.5M for MTEP ID 4107 *Emery-Lehigh Rebuild*) in July of 2013. The increases are due to the following: minor routing changes which increased real estate costs; the addition of fiber optic shield-wire to a portion of a project; the need to rebuild a portion of the line between Nettle and NW Sub due to changes occurring on both ends of the line section and condition of the remaining section, and other factors.
- **Erroneous duplication of costs due to renaming of a project:** the *Mason City 69 kV Upgrades* project was previously referred to internally as the *Nettle Station* in 2012 with \$8.1M forecasted to go into service in 2014. In June of 2013, the project was renamed internally to *Mason City 69 kV Upgrades* with a revised cost estimate of \$8.7M transferring in 2014. This revised cost estimate, however, should not have been included with the renaming of the project. Thus, the ITC Midwest 2014 total projected capital transfers includes \$8.7M of extraneous costs in the \$16.8M projection.

We have quantified the impact of removing the extraneous \$8.7M from ITC Midwest's estimated 2014 transfers of \$296.7M. The effect is a decrease in the Attachment O rate by approximately \$0.01 per kW-Mo. ITCMW will repost the 2014 Projected Attachment O, GG, and MM rates on or before December 2, 2013, to reflect this update.

Q5(B) Response: Both MTEP projects ID 3628 *Lehigh Switch Station* and ID 4107 *Emery-Lehigh Rebuild* effectively replace existing transmission facilities determined to be functionally necessary to the *Mason City 69kV* system. The lower cost option considered for project ID 4107 was to perform capital maintenance of the line. ITC Midwest Engineering evaluated the existing structures and determined that a full rebuild would be the most appropriate solution due to the condition of the line. The lower cost option considered for project ID 3628 was to replace the existing oil breakers at *Lehigh* with SF-6 breakers. The existing breakers are oil filled and pose an environmental risk due to the location of the existing substation directly next to a waterway. Further, it was determined the existing site would need be vacated due to several site limitations including: the waterway next to site has flooded twice in the last ten years, the existing site is wood frame construction with clearance limitations, and the site cannot be expanded because a railroad, creek, and two roads border all four sides of the site.

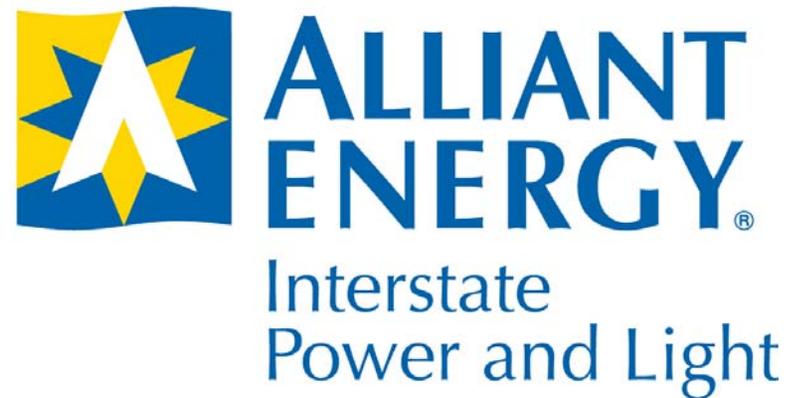
Appendix 7

6. On slide 143, please provide an explanation of the cost difference between the initial MTEP submittal and updated cost estimate for MISO MTEP ID 1618 Heron Lake – Lakefield 161 kV re-build. The original MTEP cost estimate for this project in MTEP 08 was \$14M, and the cost on slide 143 is now \$25.6M.

Q6 Response: The Heron Lake – Lakefield 161 kV rebuild project was originally approved in MTEP08 with an estimated cost of \$14M. The current cost estimate for this project, expected to be completed in 2014, is \$25.6M. There are a number of reasons for the \$11.6M increase as discussed below.

- A significant factor which increased costs and delayed the start of construction on the project was the project routing review by the U.S. Fish and Wildlife Service which had acquired property in the marsh land around Heron Lake subsequent to the original construction of the 161kV line in 1956. The restrictions the U.S. Fish and Wildlife Service imposed on the construction locations, access, construction methods, and other aspects of the project were so significant as to make the original routing impracticable. As a direct result, the route was relocated ½ mile north of the original route to follow an existing 69kV right of way and the project was redesigned as a 161/69kV double circuit. These routing and design changes have increased costs by approximately \$3M.
- The April 2013 ice storm significantly increased the costs in this project which was in the middle of construction at the time of the storm. In order to put this line back in service to aid area service restoration after the storm, temporary structures were installed that were later made permanent and some already installed permanent equipment was damaged that had to be replaced. In addition, the overall project timeline was significantly impacted. An estimate of the impact of this additional work is approximately \$3.5M.
- The original estimate developed in 2007 mistakenly did not include the overhead usually added to each planning or engineering direct cost estimate. This resulted in a project estimate provided to MISO for use in MTEP08 that was approximately \$2.8M too low.
- Finally, there have been increases in the cost of materials and labor since the original project proposal was developed in 2007.

**Appendix 8 – November 18, 2013 IPL Transmission Stakeholder Meeting
Presentation**



Transmission Stakeholder Meeting

The Hotel at Kirkwood Center
Cedar Rapids, Iowa
November 18, 2013

Welcome & Introductions

John Weyer

Manager - Transmission Services

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

Today's Discussion

- Business Overview, IPL & ITC Midwest
- Transmission Benefits – Reliability
 - Including outage cost reduction analysis
- Transmission and Overall Rates
- Recent Transmission Activity
- Transmission Policy / Regulatory Update
- ITC Midwest Update
- Upcoming Transmission Activities
- Wrap Up

Welcome

Tom Aller
President
Alliant Energy – IPL

Business Overview, IPL & ITC Midwest

Linda Mattes

Vice President - Energy Delivery Operations

Alliant Energy

Transmission Benefits - Reliability

John Weyer

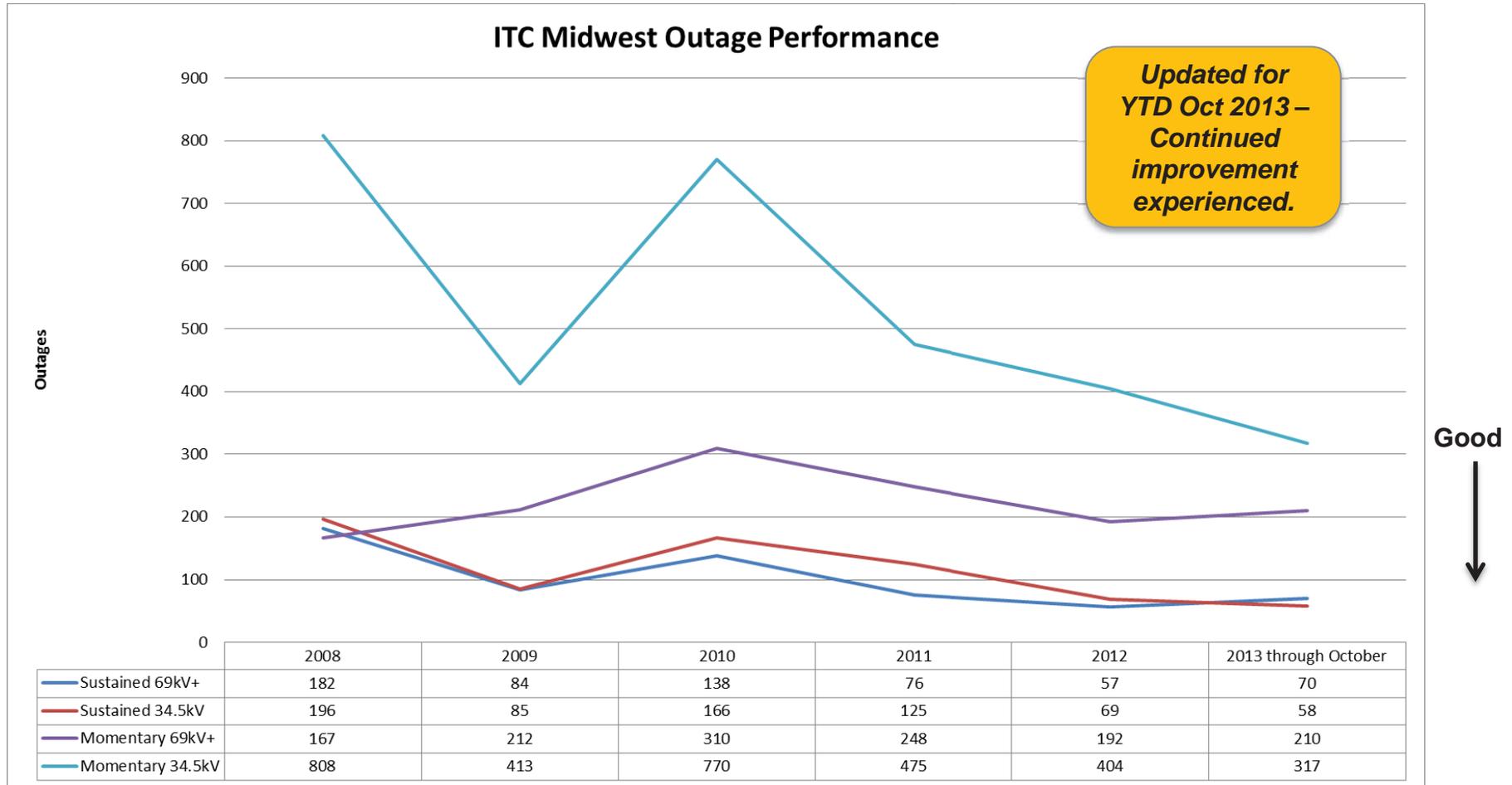
Manager - Transmission Services

Alliant Energy – IPL

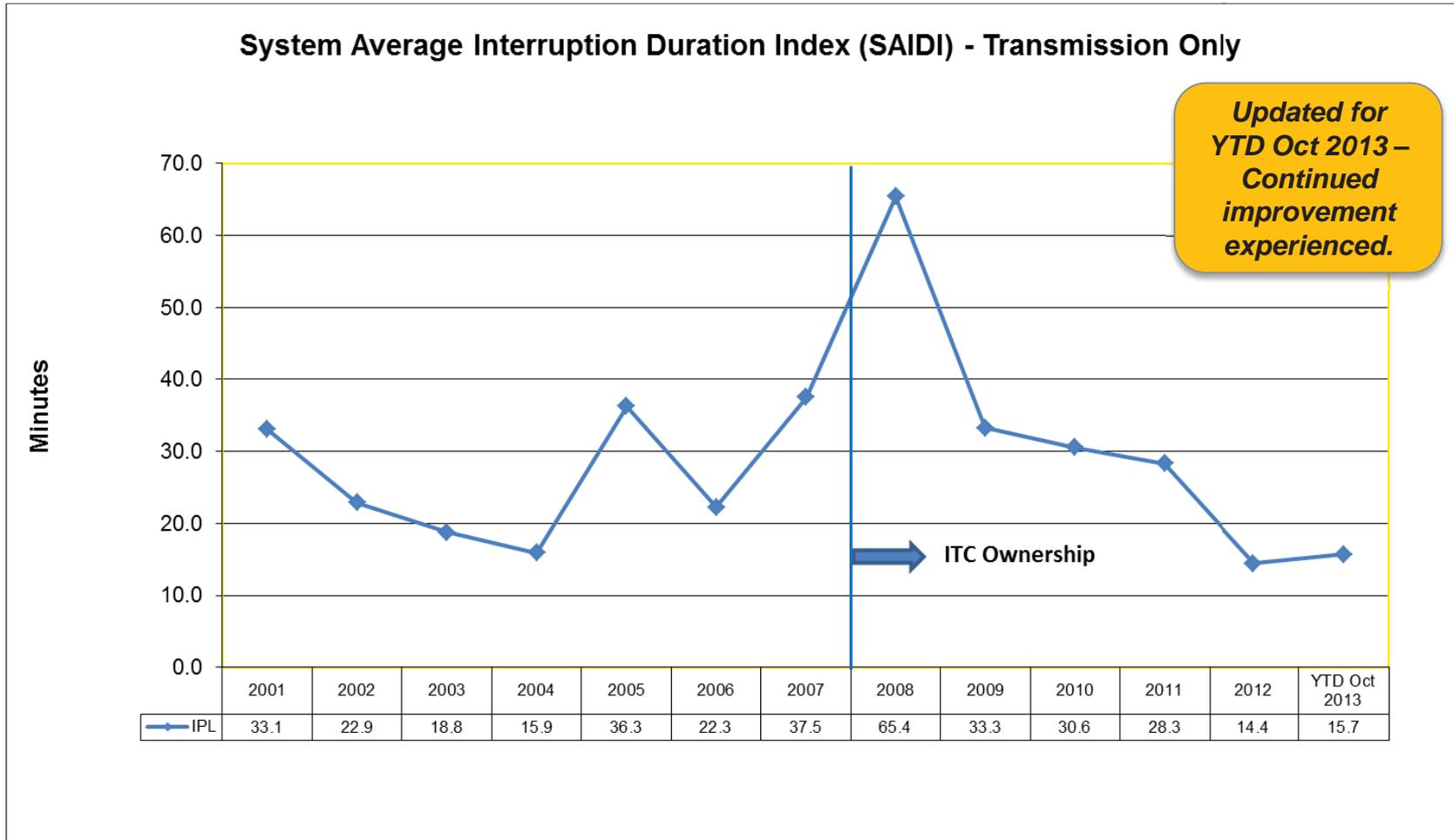
Transmission Benefits – Reliability

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

Transmission Benefits – Reliability



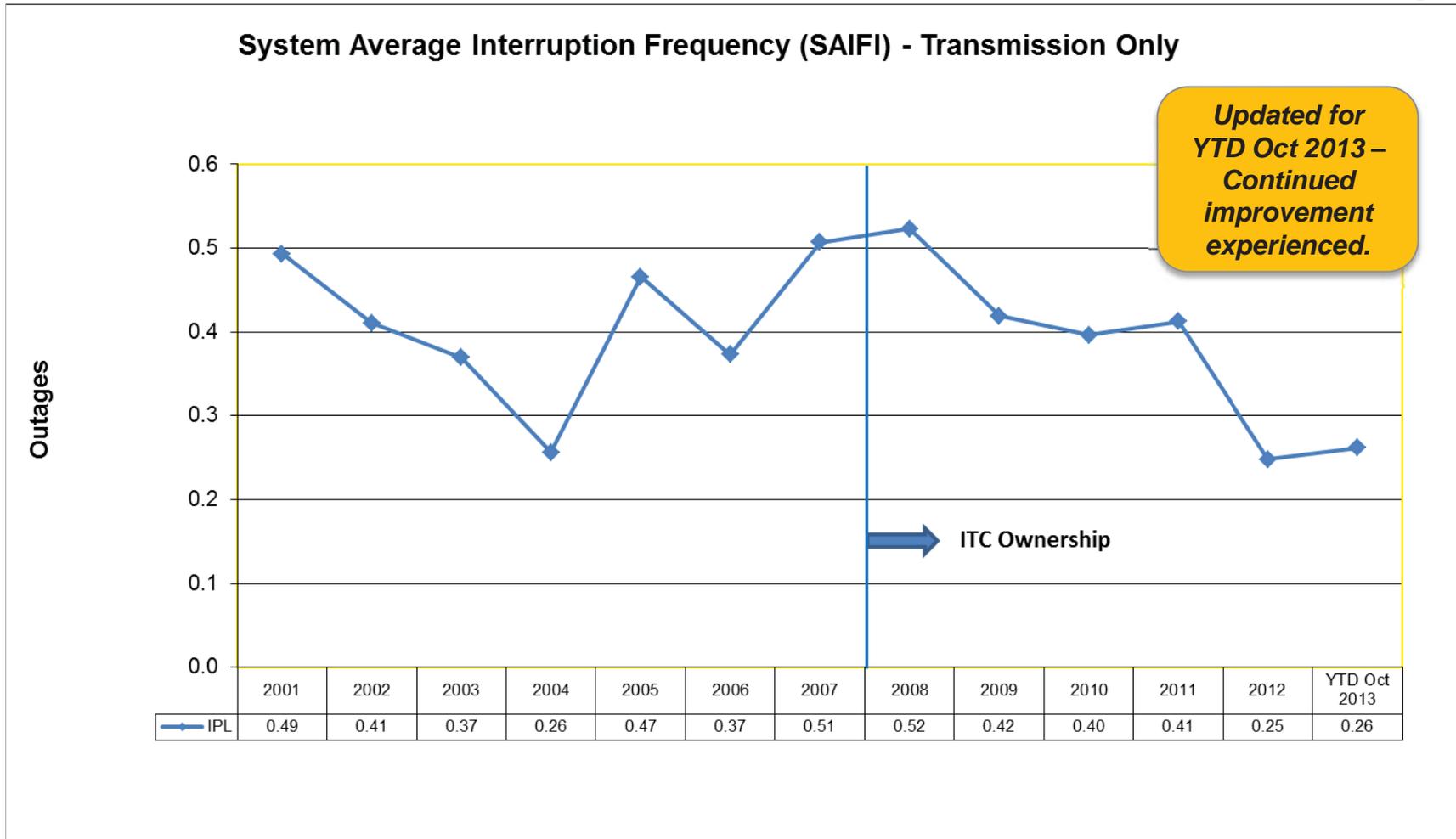
Transmission Benefits – Reliability



Average length in minutes of outages for all customers.



Transmission Benefits – Reliability



Average number of outages experienced by all customers.

Transmission Benefits - Outage Cost Reduction Analysis

Background:

- ITC reference of US Dept. of Energy ICE (Interruption Cost Estimate) Calculator in Entergy transaction testimony, Fall 2012. ITC performed analysis for the ITC Michigan operating companies of the \$ value of improved system reliability.
- Don Morrow of Quanta Technology discussed Economic Impact of Transmission Investments at ITCM 2013 Spring Partners in Business Meeting.
- IPL invited Don for similar discussion at the June 2013 Transmission Stakeholder meeting.

Outage cost reduction analysis focuses here only

Transmission Benefits

Improved reliability

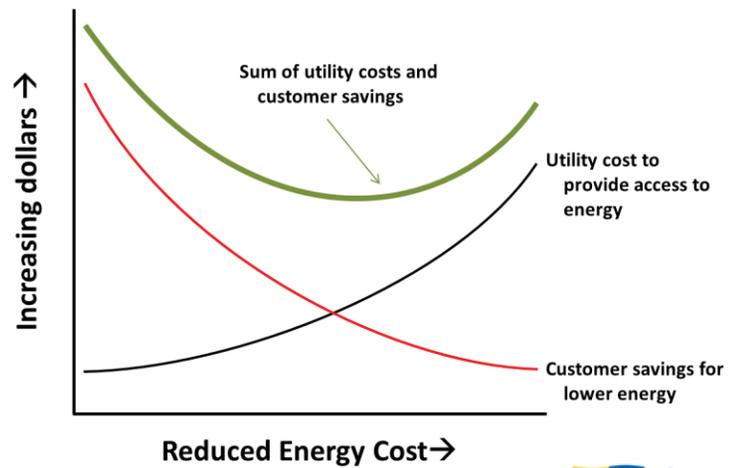
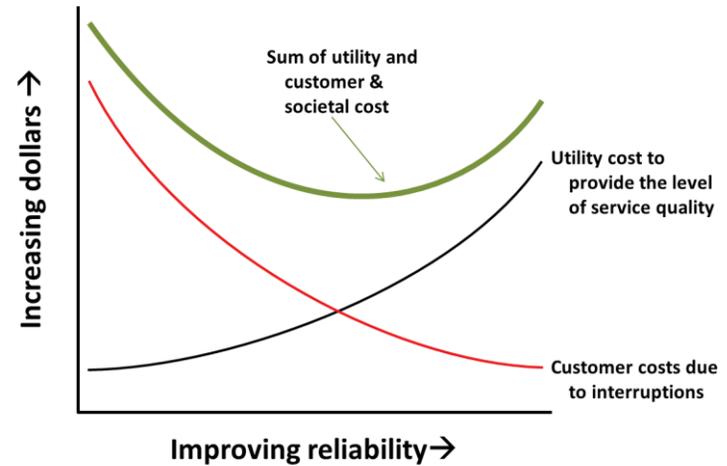
- Reduced outages, outage cost
- Performance standards compliance

Reduced energy cost

- Congestion relief
- Market access
- Flexibility of supply

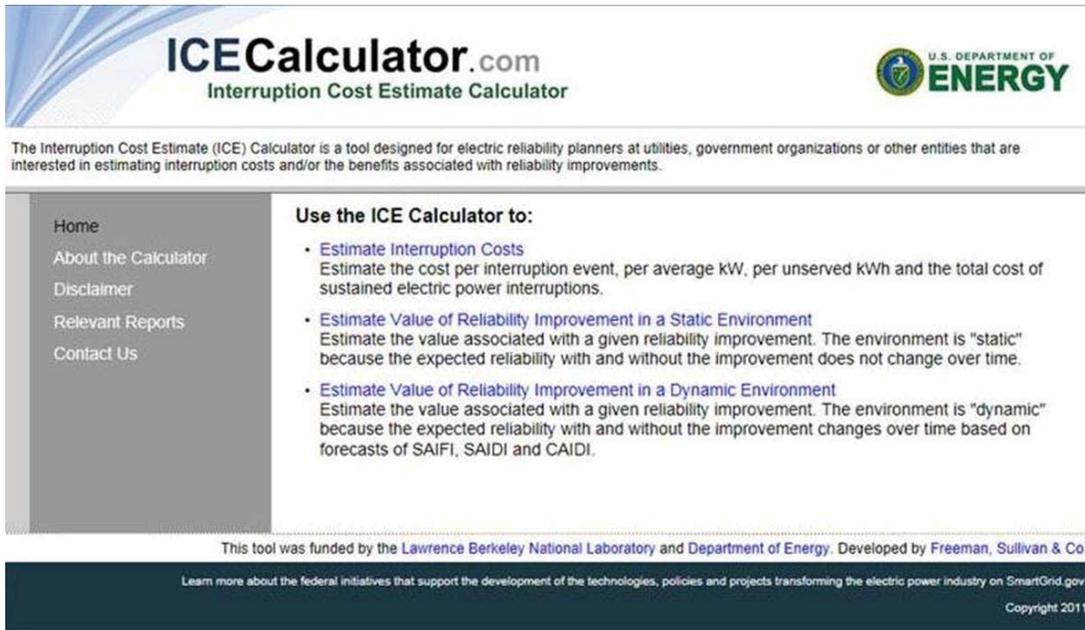
Enabled opportunities

- Economic development



Transmission Outage Cost Reduction Analysis

- Estimation of outages costs is challenging with many approaches, including surveys, case studies, etc.
- ICE is a tool based on surveys of outage costs impacts to various customer classes in different regions of the country.
- Provides good, repeatable estimate of economic impacts of various levels of reliability. However, there is no perfect model.



The screenshot shows the homepage of the ICE Calculator website. At the top left, it says "ICECalculator.com" and "Interruption Cost Estimate Calculator". To the right is the U.S. Department of Energy logo. Below the header, a paragraph describes the tool: "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." A navigation menu on the left includes "Home", "About the Calculator", "Disclaimer", "Relevant Reports", and "Contact Us". The main content area is titled "Use the ICE Calculator to:" and lists three bullet points: "Estimate Interruption Costs", "Estimate Value of Reliability Improvement in a Static Environment", and "Estimate Value of Reliability Improvement in a Dynamic Environment". At the bottom, it states: "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. Copyright 2011".

ICECalculator.com
Interruption Cost Estimate Calculator

U.S. DEPARTMENT OF ENERGY

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.

Use the ICE Calculator to:

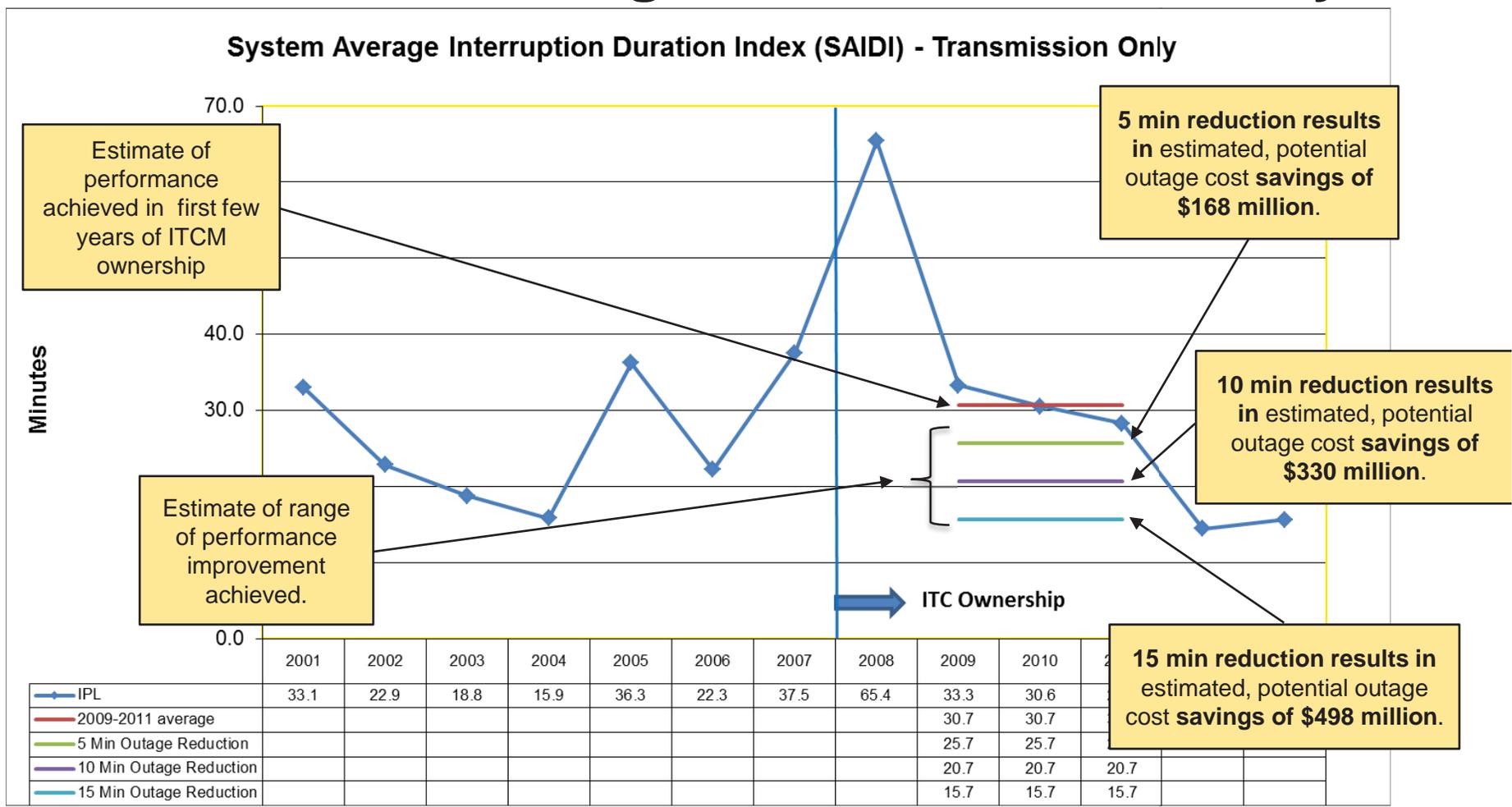
- **Estimate Interruption Costs**
Estimate the cost per interruption event, per average kW, per unserved kWh and the total cost of sustained electric power interruptions.
- **Estimate Value of Reliability Improvement in a Static Environment**
Estimate the value associated with a given reliability improvement. 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.
Copyright 2011

Transmission Outage Cost Reduction Analysis

- Summary results:
 - Preliminary results indicate roughly \$30 million in outage cost savings over the asset life of system investments per minute of SAIDI reduction.
 - The work remains a work in progress, as IPL and ITCM continue to understand and interpret the results.

Transmission Outage Cost Reduction Analysis



- Improved reliability through outage reduction and outage cost savings represent only part of the benefits of transmission investment.
- Outage cost savings estimates are over life of assets.



Transmission Outage Cost Reduction Analysis

Summary:

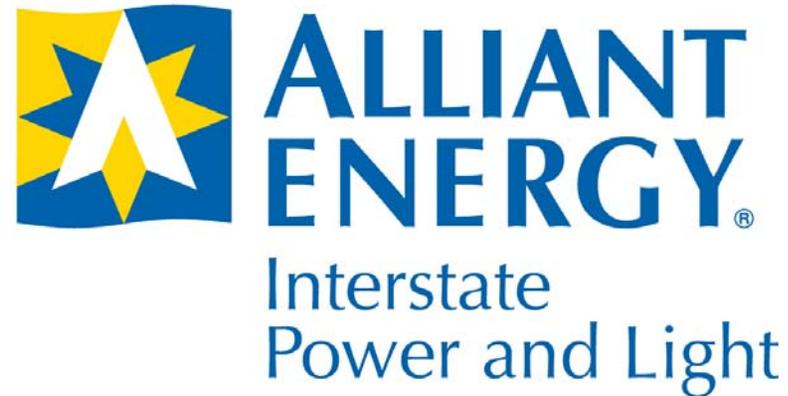
- Outage cost savings through improved reliability are real and substantial.
- Improved reliability through outage reduction and outage cost savings represent only part of the benefits of transmission investment.
- Although SAIDI and SAIFI performance will vary over time, especially due to weather volatility, gains made through prior investment will continue to yield benefits for many years after.
- This work remains a work in progress, as IPL and ITCM continue to understand and interpret the results.
- Reduced energy costs are an entirely different benefit category of benefits and considerably more difficult and subjective to estimate, but none-the-less are considered to be substantial.
 - IPL and ITCM continue to explore means to reasonably estimate reduced energy costs.

Transmission and Overall Rates

Erik Madsen

Director – Regulatory Affairs

Alliant Energy – IPL

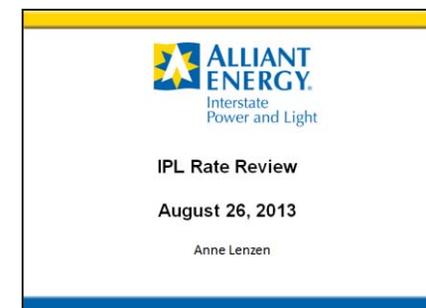
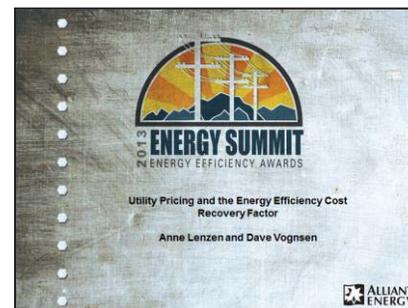
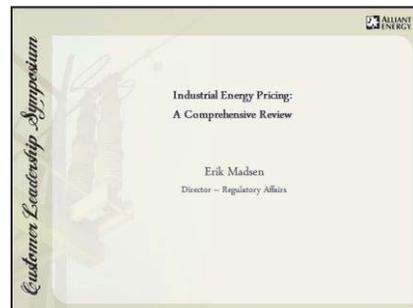
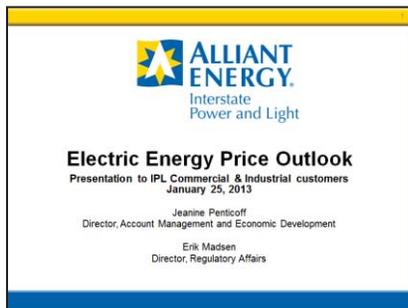


2014 Electric Energy Price Outlook

Presentation to Iowa Commercial and Industrial Customers
November 18, 2013

2013 Electric Pricing Outreach

- January – 2013 Energy Price Outlook webinar
- March – Customer Symposium
- April – Energy Summit
- May to date – individual customer meetings as requested
- October – 2014 Energy Price Outlook webinar



Key Takeaways Today

- Environmental requirements impacting business
 - Changes to power generation fleet
- Consistent pricing messages over time
 - 2013 comparable to 2010
 - Increases in 2013 and 2014
- Specific increases expected for budgeting
 - 2014
 - Individual increases vary
 - Cannot predict the future with certainty
 - Longer term

Increases Consistent with Long-Term Benefits

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



Capital In-Service Additions

Project Test Year 2013	In-Service Date	Capital Spend (Iowa and Minnesota Share) ¹	Estimated Annual Revenue Requirement Impact ²	Regulatory Docket Approved/Communicated
Neal 4 Scrubber/Baghouse	Oct-13			2012 MEC Emissions Plan and Budget (EPB)
Neal 3 Scrubber/Baghouse	May-14			2012 MEC EPB
Ottumwa Scrubber/Baghouse	Nov-14			2012 IPL EPB
Tier II Environmental "Lite"	April-14			2012 IPL EPB
Ottumwa Performance Upgrades	Nov-14			2012 IPL EPB
Neal 4 Performance Upgrades	2013			2012 MEC EPB
Total (\$ in Millions)		\$471	\$65	

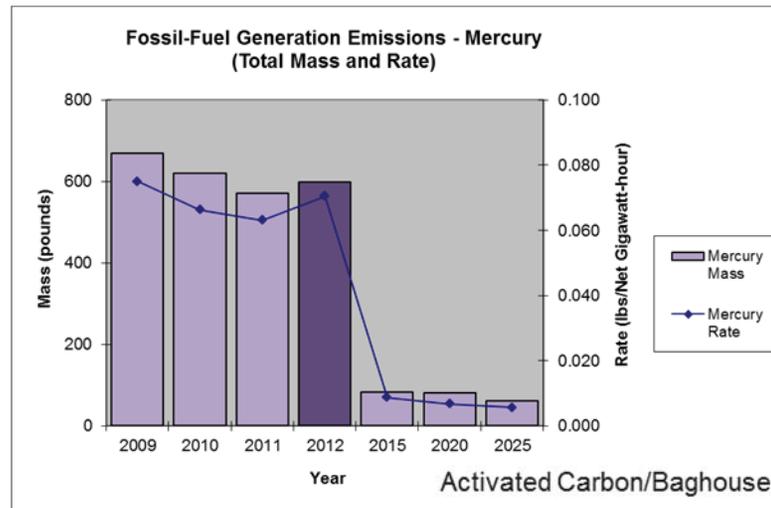
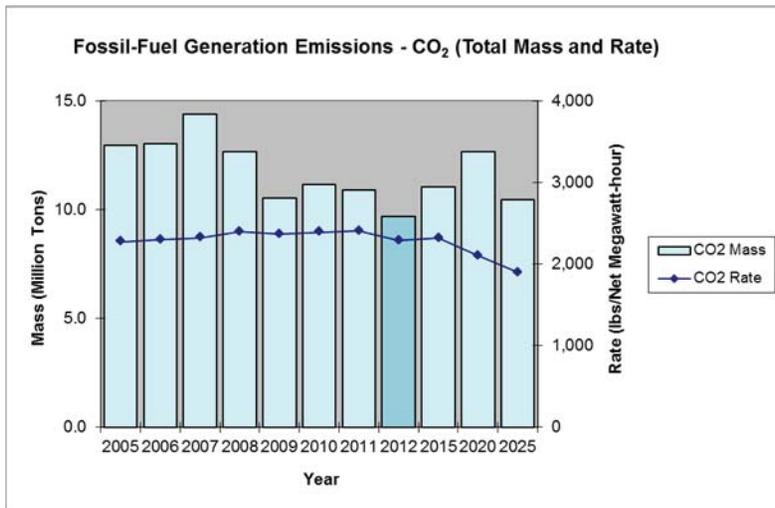
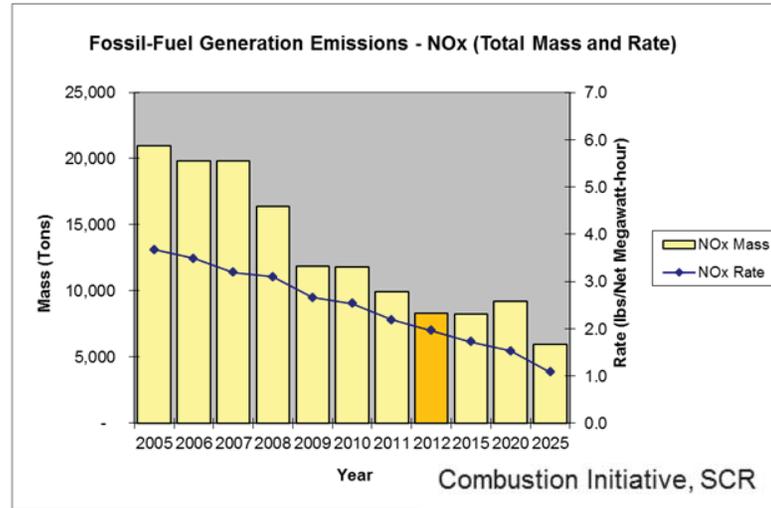
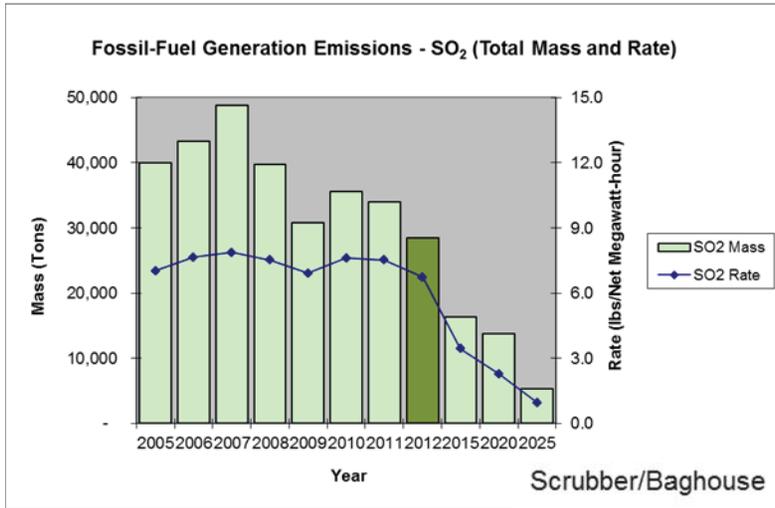
¹ Loaded capital dollars including AFUDC

² Revenue requirement estimated by taking capital spend multiplied by 94% (IA allocation) and by 15% (return of and on investment)

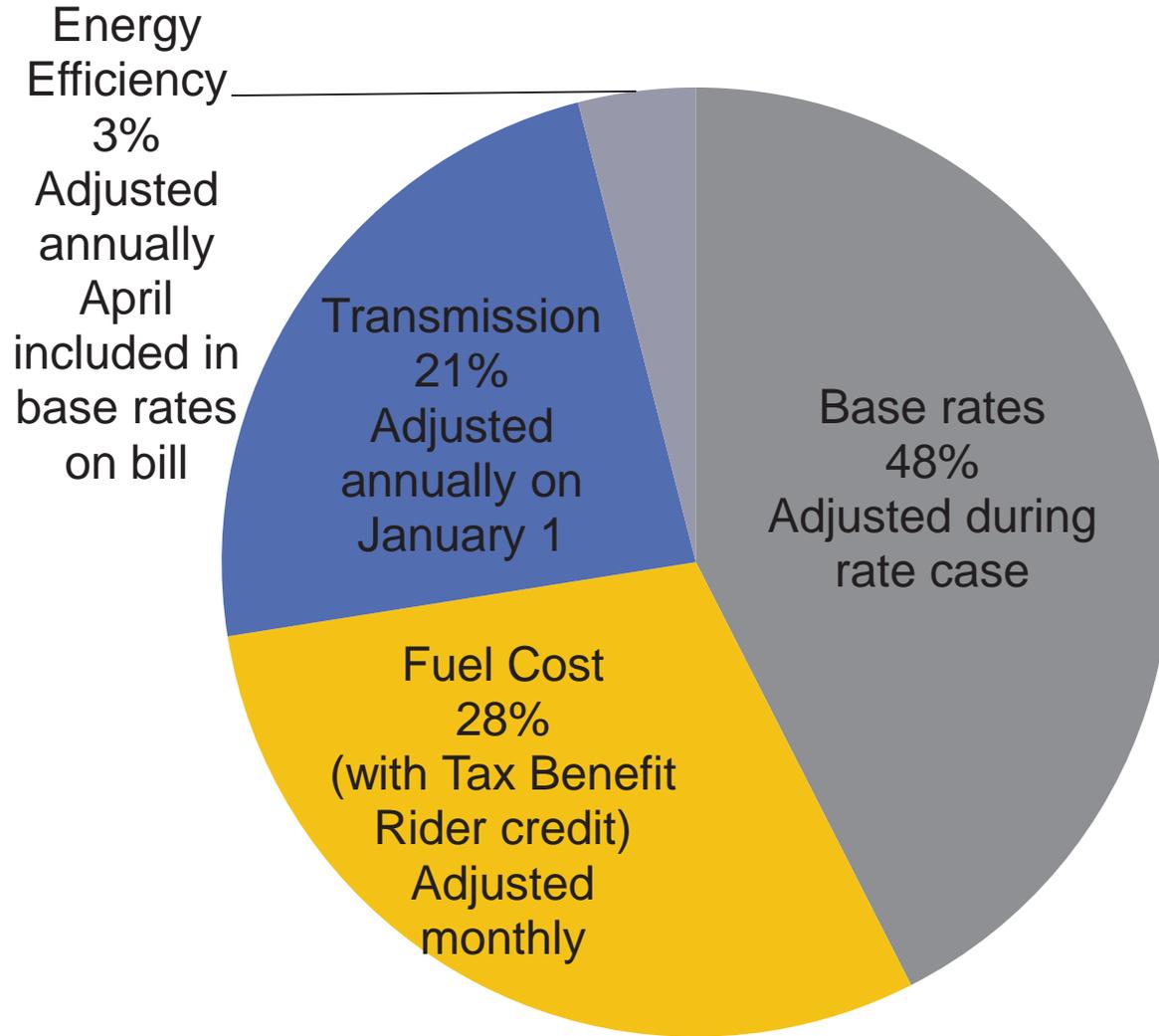


Lower Emissions

- Future 2025 reductions from installation of air pollution control systems and execution of Balanced Generation Plan.



Bill Breakdown



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

Fuel Cost

- Fuel cost aka Energy Adjustment Clause (EAC)
- Reflects: Fuel Costs (including DAEC contract)
- 2014 Tax Benefit Rider (TBR) as filed

EAC	2010	2011	2012	2013 (Forecast YTD October)	2014 (Forecast)	2015 (Hypothetical)	2016 (Hypothetical)
Fuel Cost TBR (credit)	\$0.0245 N/A	\$0.02307 (\$0.00504)	\$0.02073 (\$0.00568)	\$0.023 (\$0.00386)	\$0.026 (\$0.00477)	\$0.028 (\$0.0041)	\$0.030 (\$0.0034)
Final EAC	\$0.0245	\$0.01803	\$0.01505	\$0.019	Range around \$0.021	(?)	(?)

Tax Benefit Rider

- TBR balance of ~\$181 Million remaining at the end of 2013 to be refunded to customers
- Refund plan, \$70M, \$60M, \$50M (2014-2016)

	2011	2012	2013	2014
Factor	\$0.00504	\$0.00568	\$0.00386	\$0.00477
Amount	\$64M	\$81M	\$56M	\$70M

Transmission

- Transmission aka Regional Transmission Service (RTS)
- New factor starts on January 1
- 2014 RTS factors shown below to be filed with the IUB soon

RTS Factors	2013	2014 forecast
General Service	\$0.02356 / kWh	\$0.02578 / kWh
Large General Service	\$6.68 / kW	\$7.26 / kW

2013							2014
Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan

ITC-Midwest reconciles 2012 costs

ITC-Midwest projects 2014 costs

Alliant Energy reconciles 2014 transmission factor balance

RTS Factors filed with IUB for approval

RTS Factors in effect



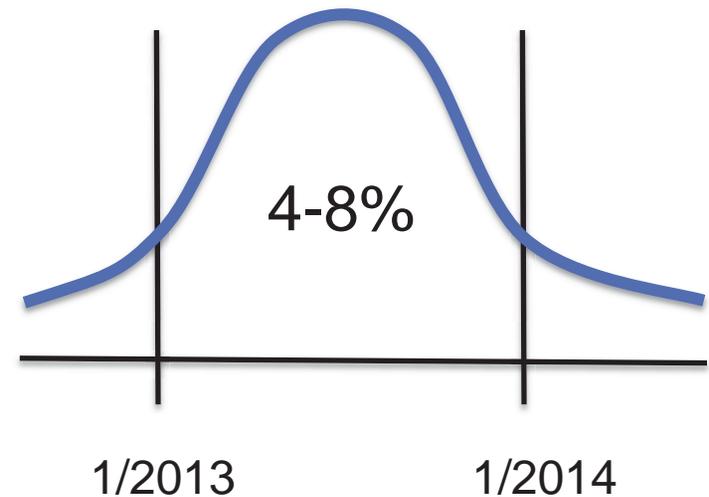
2014 Preliminary Bill Impact – LGS Budgeting Guidelines

Bill Component	Frequency of Change	2014 Bill Impact*
Base Rates	Rate Case	No change
Fuel Cost	Monthly Adjustment	3-7%
Transmission	Annual Adjustment	2%
Tax Benefit Rider	Annual Adjustment	-1%
Energy Efficiency	Annual Adjustment	0.2%
		4-8%

versus 2013 bill

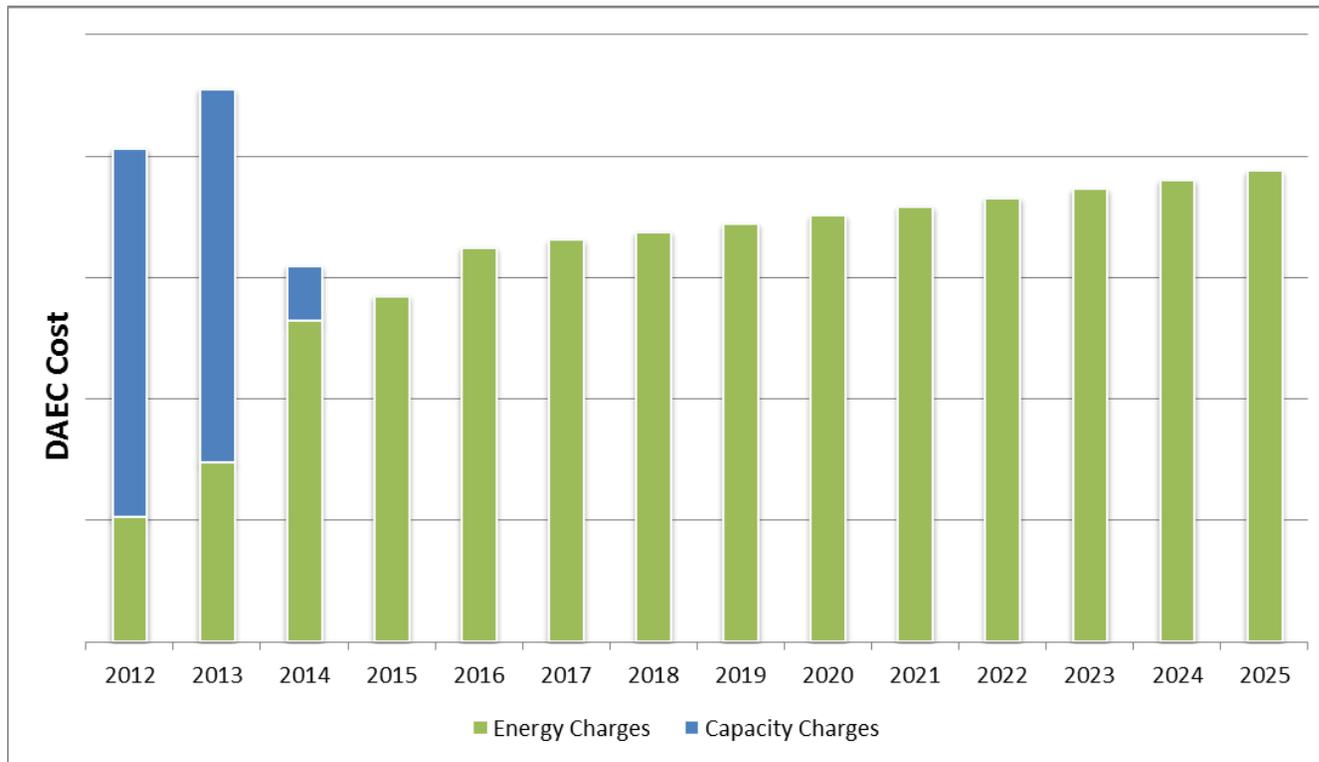
2014 Budget Guidelines Caveats

- Individual customer impacts will vary
 - Rate schedule
 - Level of use (change)
 - Load factor
 - Rate options



Duane Arnold Energy Center (DAEC) Costs Forecast

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



Future Prices

- Infrastructure changes will increase costs over time for all utilities
 - Alliant Energy remains competitive regionally and nationally
- Post-2014 future outlook (through 2016) not explicitly forecast
 - For temporary budgeting guidelines, plan for 5% annual increases, based on 2014 starting period
 - Pricing changes will be lumpy

Key Takeaways Today

- Environmental requirements impacting business
 - Changes to generation fleet
- Consistent pricing messages over time
 - 2013 comparable to 2010
 - Increases in 2013 and 2014
- Specific increases expected for budgeting
 - 2013 to 2014 LGS 4-8% increase
 - Individual increases vary
 - Cannot predict the future with certainty
 - Longer term

Q&A



Recent Transmission Activity

John Weyer

Manager - Transmission Services

Alliant Energy – IPL

Recent Transmission Activity

- IPL review of:
 - MTEP 2013
 - MTEP 2014
 - ITCM 2012 True-Up
 - ITCM 2014 Attachment O Rate

Update on MTEP 13 Comments

- 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 (MISO Transmission Expansion Plan) 13 projects
 - IPL met with ITCM, ITCM provided additional documentation for certain project and IPL subsequently supported all those projects.
 - IPL continued to work with ITCM on concerns regarding capital maintenance projects.
 - IPL continues to work with ITCM to coordinate transmission and distribution work to maximize reliability improvements and minimize each others’ costs

Following meeting with ITCM

Summary of Costs	
Total	\$ 233,247,978
Support	\$ 150,086,000
Oppose	\$ 72,350,000
No opinion	\$ 10,811,978

Following discussions with ITCM

Summary of Costs	
Total	\$ 250,347,978
Support	\$ 239,536,000
Oppose	\$ 0
No opinion	\$ 10,811,978

IPL had previously opposed \$ 72.35 million of multi-year capital maintenance projects. ITCM is now submitting those annually. IPL now has no opposition to ITCM’s MTEP 13 projects proposed.



ITCM MTEP 14 Proposed Projects

- 24 ITCM projects being submitted to MTEP 14, total of \$71.7 M:
 - IPL is requesting more information on 3 projects, totaling \$10.6 million. Questions relate to better understanding the driving factors, alternatives and more specific details about locations for grouped project listings.
 - IPL does not take a position on 3 projects (2 customer funded, 1 customer interconnection for another ITCM customer)
 - IPL supports 18 projects

ITCM 2012 Attachment O True-Up

- ITCM Posted on June 1, 2013. Total of \$5,639,724 reduction to be applied to 2014 Attachment O revenue requirement.
 - Includes \$2,922,771 over-recovery in 2012 of revenue requirement.
 - Includes \$2,716,953 refund resulting from outcome of FERC audit of ITC Holdings Corp. where FERC found that ITC Midwest improperly recovered from customers through the formula rate billings amounts associated with the tax effects of amortized goodwill, associated with the transmission asset purchase from IPL. The amount and timing of the refund was expected by IPL from prior review of the FERC filings.
- IPL reviewed the explanations behind the True-Up determination and had no further questions.

ITCM 2014 Attachment O Rate

- ITCM Posted on August 30, 2013.
 - \$8.805 kW-Mo. for 2014, less than prior IPL projections.
- 2013 ITC Midwest Fall Partners In Business Planning and Attachment O Meetings held October 9-10, 2013.
 - Projected rate components and 2014 projects reviewed.
- Subsequently, IPL reviewed and submitted questions.
 - Questions and ITCM answers posted on ITCM OASIS (<http://www.oasis.oati.com/ITCM/index.html>)
 - IPL reviewed answers and has no follow up questions.
 - In answering one IPL question on a project's cost, ITCM determined an erroneous duplication of \$8.7M in cost had occurred. As a result, the impact to the 2014 projected Attachment O rate is \$0.01 less. ITCM will repost on or before December 2, 2013.

Transmission Policy / Regulatory Update

Eric Guelker

Director – Regional & Federal Policy

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

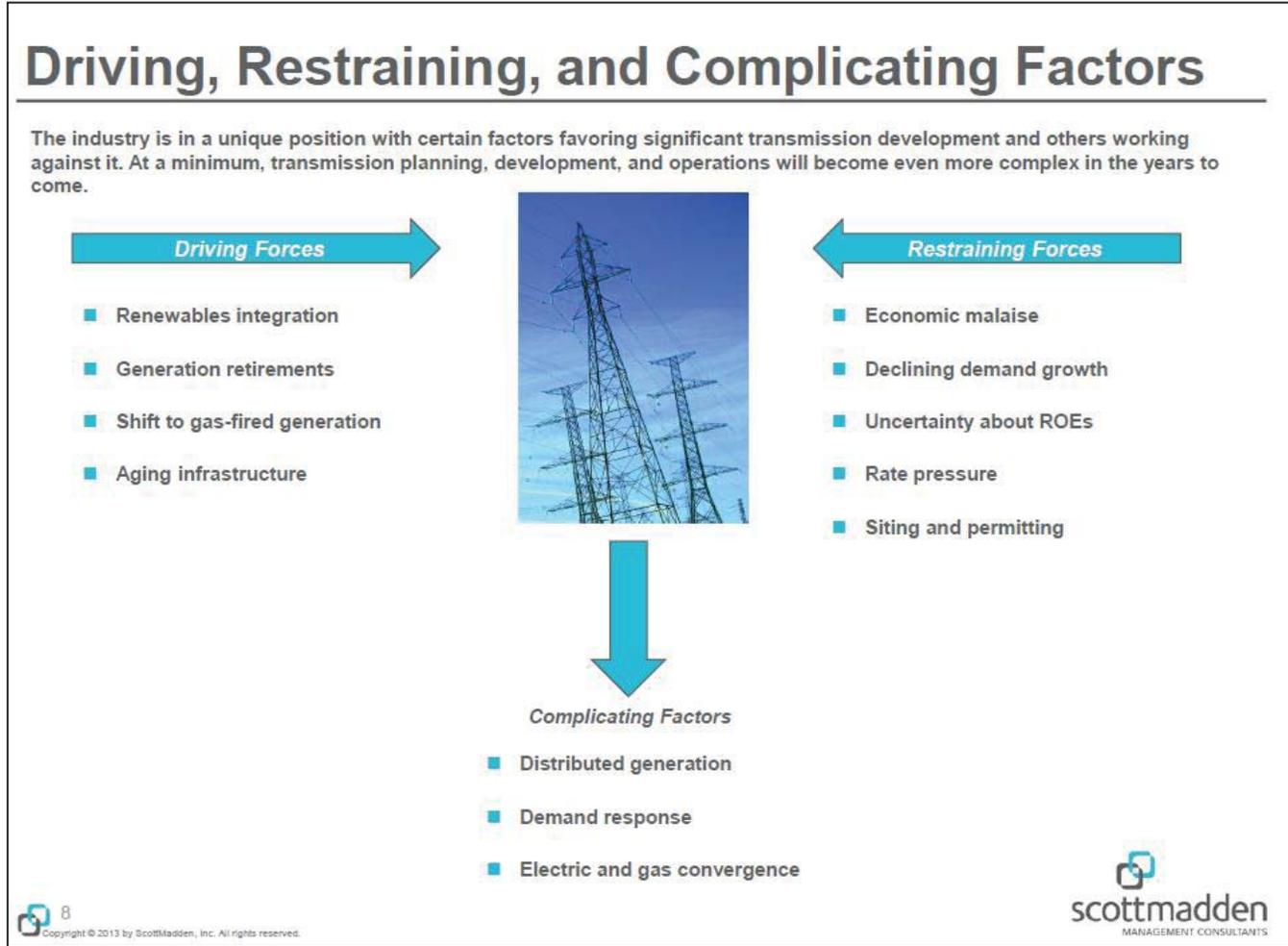
Regional transmission planning & projects

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 Development Landscape



FERC's Focus Implement Energy Policy Act of 2005



- Facilitate transmission facility planning and expansion
- Promote transmission investment using financial incentives
- Ensure timely and coordinated transmission facility review and permitting

Energy, environmental, economic and regulatory factors heavily influence transmission policy, planning, development and operations.



Transmission Policy Key Issues

- MISO Transmission Formula Rates
- ITC Midwest Attachment FF
- Transmission Return on Equity (ROE) Challenges
- MISO Multi-Value Projects (MVPs)

MISO Transmission Formula Rates (EL12-35)

May 2012: FERC opened investigation

- Areas of concern included: scope of participation, transparency of information and ability to challenge

June 2012: IPL filed comments

- Supported investigation and suggested improvements in areas of concern

May 2013: FERC issued order

- Stated formula rate protocols insufficient and identified needed changes

September 2013: MISO and TOs filed changes

- Included timelines for information exchange & challenges and providing information needed to replicate calculations
- Annual filings to demonstrate rate accuracy & correctness

October 2013: AECS filed comments

- Generally supported changes
- Advocated changes should be applied to projected rates, not only after-the-fact rate true-ups

Next Steps: FERC issues order on filed changes

Impact: TBD

ITC Midwest Attachment FF (EL12-104)

September 2012: IPL filed complaint against ITCM

- Requested Attachment FF change to require generators to pay transmission network upgrade costs
- Existing approach different & more costly to IPL customers

October 2012: Stakeholders filed comments

- Many stakeholders including OCA, ICC, MPUC and MDOC supported IPL's complaint

July 2013: FERC issued order granting IPL's complaint

- Ruled change would apply to generator interconnection agreements (GIAs) executed or filed after date of order
- GIA amendments to be addressed on case-by-case basis

August 2013: IPL and ITCM file rehearing/clarification requests

- IPL and ITCM requested FERC clarify transition from "old" to "new" approach; don't address case-by-case
- ITCM also requested FERC to reconsider its decision

September 2013: FERC granted rehearing request

- FERC needs more time to review -- doesn't imply FERC will or will not change its decision
- Attachment FF changes per July order are effective

Next Steps: FERC issues order on rehearing/clarification requests

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

Transmission ROE Challenges

FERC Complaints		
Utilities	Current ROE	Requested ROE
ISO-New England TOs	11.14%	9.2% ⁴ 8.7% ⁴
Florida Power	10.8%	9.02%
Southwestern PSC	11.27%	9.65%
Cleco Power	10.6%	10.5% ¹
PSC of Colorado	10.25%	9.15%
Maine PSC	10.5%	9.75% ¹
Niagara Mohawk Power	11.5%	9.49% 9.25%
BG&E, Pepco, Delmarva, Atlantic City	10.8% 11.3%	8.7%
MISO & MISO TOs	12.38%	9.15%
Rate Filings		
Pacific Gas & Electric	11.5% ³	9.1% ²
Southern CA Edison	12.6% ³	10.45% ¹

- Scrutiny of ROEs has increased
 - Interveners believe ROEs should reflect “new normal” of lower interest rates and costs of capital
- Numerous complaints against TOs pending
 - Most recent complaint targets MISO (including ITCM)
 - Cases settled or stipulated by FERC have resulted in lower ROEs

IPL and affiliates cannot support MISO ROE complaint because of prohibition against challenge to ITC Midwest initial rates and rate construct. Prohibition ends December 20, 2014.

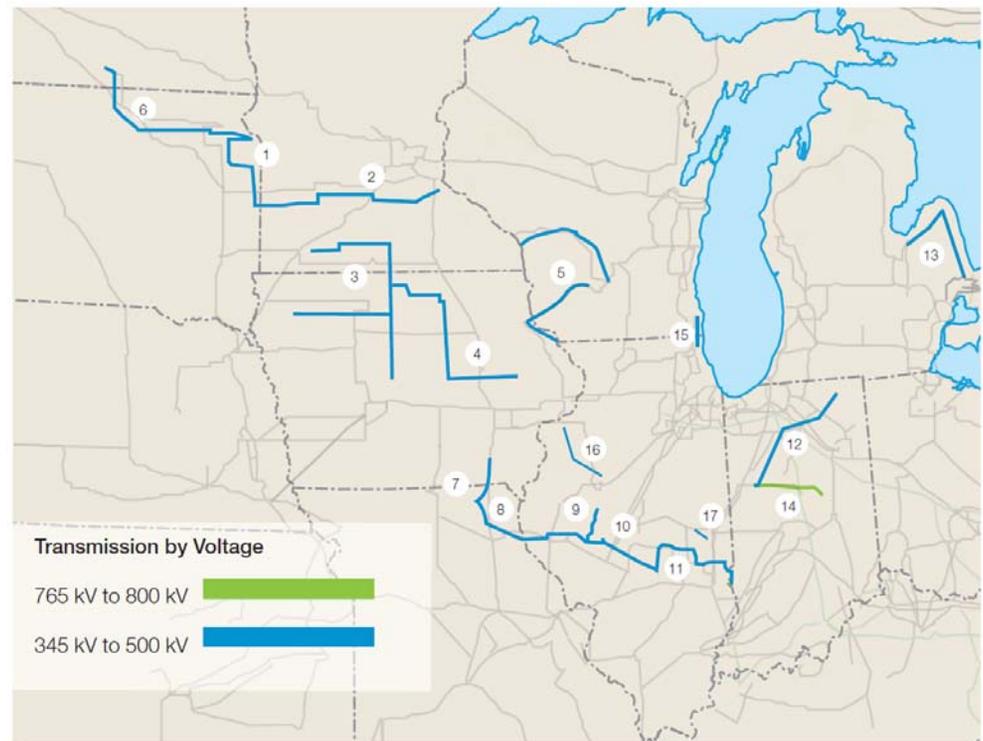
¹ = Settled; ² = Stipulated by FERC; ³ = Proposed; ⁴ = FERC ALJ recommended 9.7% in August 2013 decision



MISO Multi-Value Project (MVP) Update

- ITCM will own or operate parts of MVP 3, 4, 5 and 7
 - Projects constructed between now and 2020
 - Permitting and regulatory approvals underway
- MVP portfolio costs are allocated to all MISO market participants
 - IPL will pay 2-3% of costs *regardless of who owns MVP projects*
 - IPL projects MVP costs will grow from about 1% to 4% of IPL annual transmission expense during next 10 years

2011 Multi-Value Project Portfolio



ITC Midwest Update

Doug Collins

President

ITC Midwest

Appendix 8

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

ITC Midwest LLC Update

Doug Collins, President



Overview

Benefits of Improved Transmission Service

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



Overview and Economic Impact

Iowa economic impacts of ITC Midwest investment:

- Invested approximately \$953 million of capital dollars in Iowa transmission facilities between 2008 and 2012
- Contracted with Strategic Economics Group (SEG) to determine the economic impact of ITC Midwest's capital investment
- SEG estimated total economic impact of capital dollars at \$1.443 billion and 10,424 job years* created, not including benefits of improved transmission
- Property replacement, sales and use and local option sales and service taxes in excess of \$62.4 million.
- Total economic impact of all wind facilities connecting to ITC Midwest's transmission system between 2008 and 2012 equals over \$2 billion. ITC Midwest believes approximately a third of these facilities would not have been built absent the significant improvements made by ITC Midwest.

**A job year means one job for one year.*



Appendix 8

ITC Midwest System Performance

- SGS Results: Study make-up and results
- 34.5kV Performance Trends
- Cause Analysis Process
- Storm Response

Operational Excellence SGS Study Demographics

- ITC participates in the SGS Statistical Services Transmission Reliability Benchmarking Study (“SGS Study”)
- 20 Systems participated in the SGS Study in 2013
- Comprises approximately 44% of the US transmission grid based on NERC bulk power mileage
 - ITCTransmission/METC/ITC Midwest \approx 5.85% (5.07% in 2012)
 - ITC submits 69kV + outages to the study
- The ITC Midwest system is fairly unique among study participants
 - The 69 kV system makes up nearly 65% of the total ITC Midwest system (by circuits) submitted to SGS
 - There are only six companies in the SGS Study including ITC Midwest with 50% or more 69kV
- The 69kV system is the primary driver of ITC Midwest overall system performance



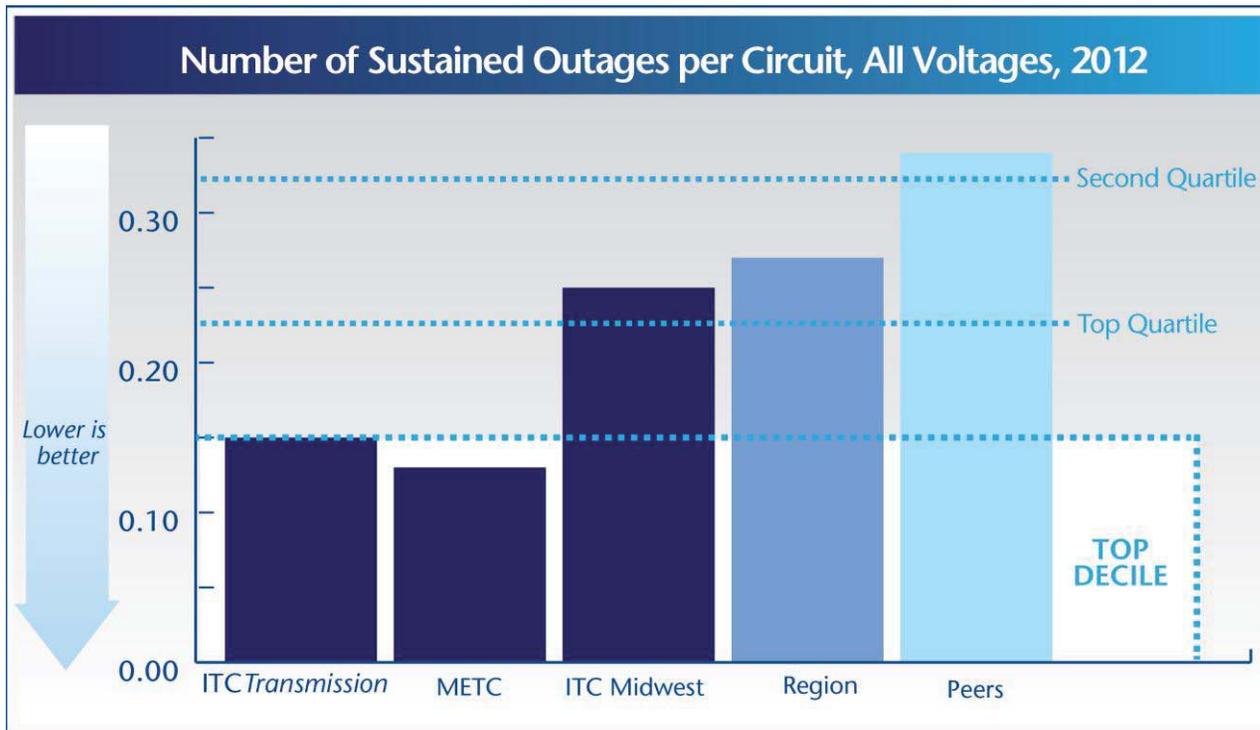
Appendix 8

Operational Excellence

Improving Reliability of Acquired Systems

Fewer outages: According to the SGS Statistical Services' Transmission Reliability Benchmarking Study, ITC's Michigan systems perform among the top 10% nationally for number of sustained outages per circuit.

- ITC Midwest, has improved from fourth quartile in 2008 to second quartile performance in 2012.



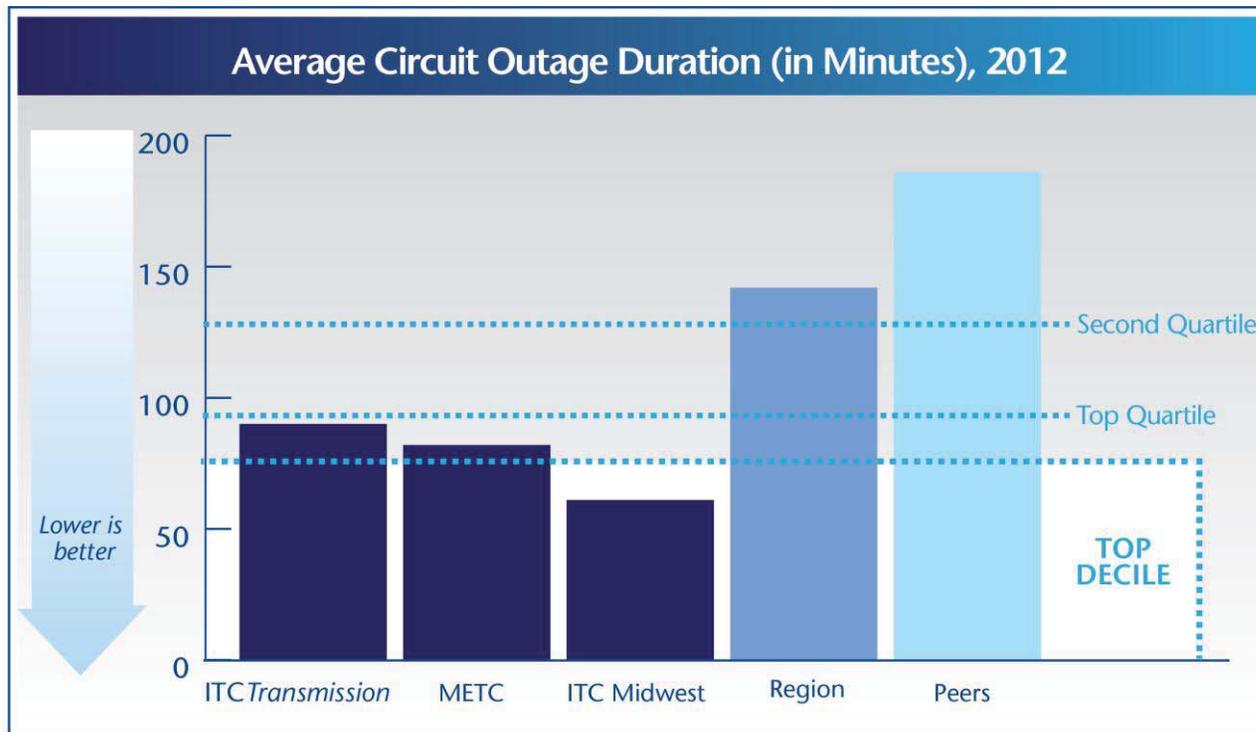
Appendix 8

Operational Excellence Improving Reliability of Acquired Systems

Shorter outages: ITC Midwest has improved from fourth quartile in 2008 to top 10% performance in 2012

Actions taken to improve restoration times:

- Additional staffing in ITC control room
- Qualification of additional ULC field crews
- Ability of the Operational Control Room to remotely reclose or sectionalize the system

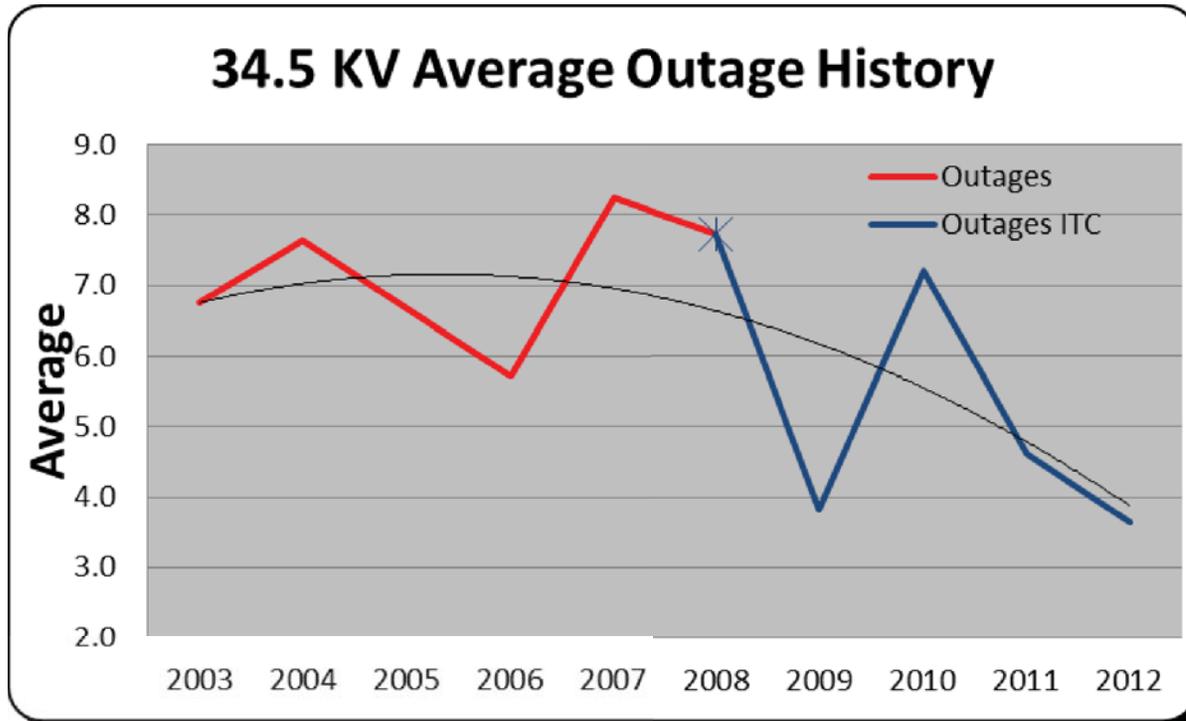


Appendix 8

Operational Excellence 34.5 KV Performance Trends

Fewer outages : Despite year-to-year fluctuation in average outages experienced, the overall trend is downward.

- ITC took over the maintenance function in December of 2008
- Two consecutive years of downward outage trends
- 2013 outage statistics similar to 2012 results at this same period



Operational Excellence

Systematic Approach to Outage Reduction

Cause analysis process and Operations Committee feedback are considered in both the maintenance plan and capital improvements

- **Identify and document cause of each sustained outage**
 - Less than 5% of outages are recorded as “unknown” cause
- **Committee of operations, engineering, planning and stakeholder relations reviews each outage monthly**
 - Identification of system planning/maintenance/operating improvements or larger scale projects
 - Initiate additional inspections, special maintenance or study projects
- **Track performance trends**
 - Circuits with repeat outages are identified and given extra attention
- **Separate committee performs an after-action review for all human performance events**

Examples of circuits removed from poor performing circuit list due to maintenance activities:

- 1) Carbide-Viele #2 (161kV)
- 2) Dundee-West Union (69kV)
- 3) Monona Circuit #432 (69kV)
- 4) Sigourney-Washington (69kV)
- 5) Lucas County-Osceola (69kV)
- 6) Hancock CKT 5080 (69kV)

A poor performing circuit is removed from the list when it has gone a full 12 months without an outage.

Appendix 8

Operational Excellence System Maintenance

- Goal: Implement focused plan for improving system reliability and reducing maintenance costs to cost-effectively improve system performance.
- Capital Maintenance Projects (CMPs) support system reliability by replacing obsolete or damaged equipment.
- CMPs can improve reliability and extend life of lines not old enough to be replaced
- Year-to-date 2013, ITC Midwest has replaced approximately 3,000 units of equipment including bells, arrestors, insulators and crossarms.
- Continued reduction in the number of equipment related outages can be attributed to the CMPs.



Oil circuit breaker –
1957 vintage

- Leaking bushing replaced with new SF6 Breaker

Bottom line: Capital Maintenance timed and planned well extends equipment life and saves customer costs



Appendix 8

Operational Excellence Storm Response



April 2013 Ice Storm

- Accumulation of ice heavily damaged more than 300 ITC transmission structures along 20 miles of 161kV and 69kV lines.
- Freezing rain fell for three days accompanied by eight inches of snow.
- ITC mobilized employees and contractors from throughout the ITCMW territory to respond to outages.
- ITC coordinated with other utilities to restore power as soon as possible.
- Contractors working on ITCMW rebuild projects were redirected to work on storm restoration, ultimately resulting in a ITC response team of 200 people.



Appendix 8

Project Update

- Major Projects Completed
- 34.5kV to 69kV Upgrades
- Wind Interconnections
- Multi-Value Project (MVP) Portfolio
- Planned Generator Retirement Upgrades
- Major Network Upgrades for New Generation
- Controlling Project Costs

Appendix 8

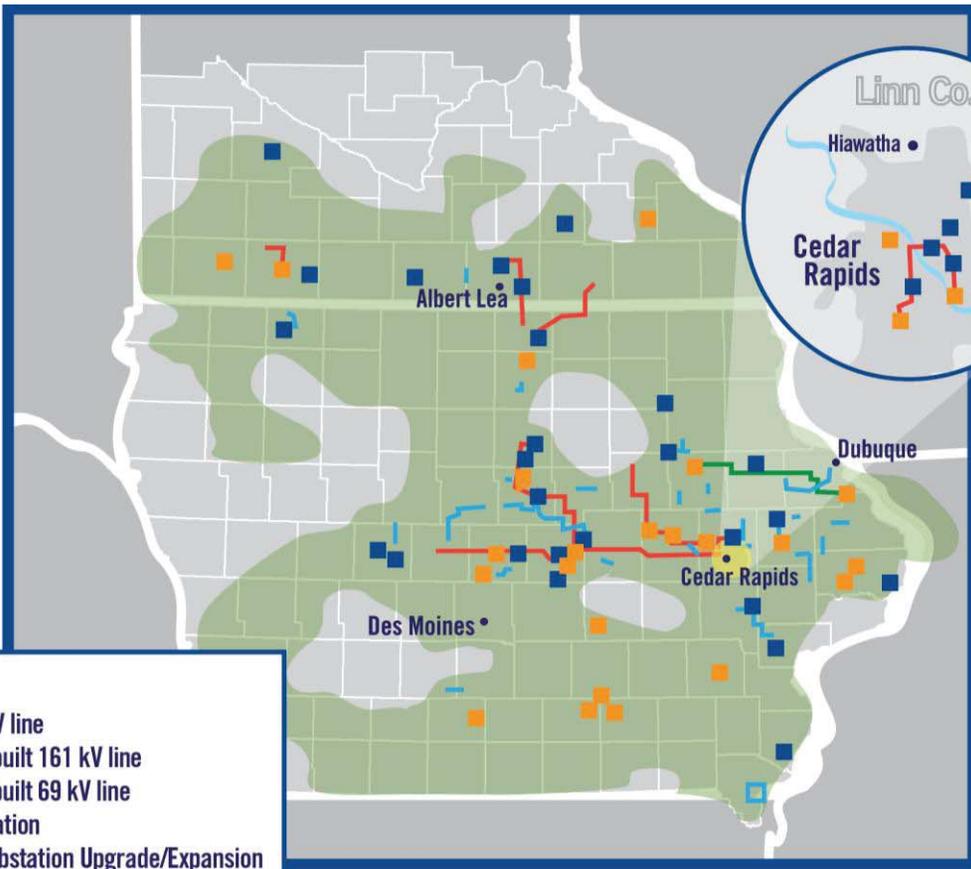
Project Update Timing and Overviews

Some of the following slides identify general timetables for line and substation construction projects. Several factors could impact the company's ability to complete projects according to these timetables. Those factors include, but are not limited to, regulatory approvals, access to construction resources, availability of materials and weather. The dates and schedule identified in these slides represent our best estimates for projects to be initiated and completed, but many factors could alter those schedules.

Appendix 8

Project Update

Work Completed Across Service Territory



Legend:

- New 345 kV line
- New or Rebuilt 161 kV line
- New or Rebuilt 69 kV line
- New Substation
- Existing Substation Upgrade/Expansion
- ITC Midwest Service Area

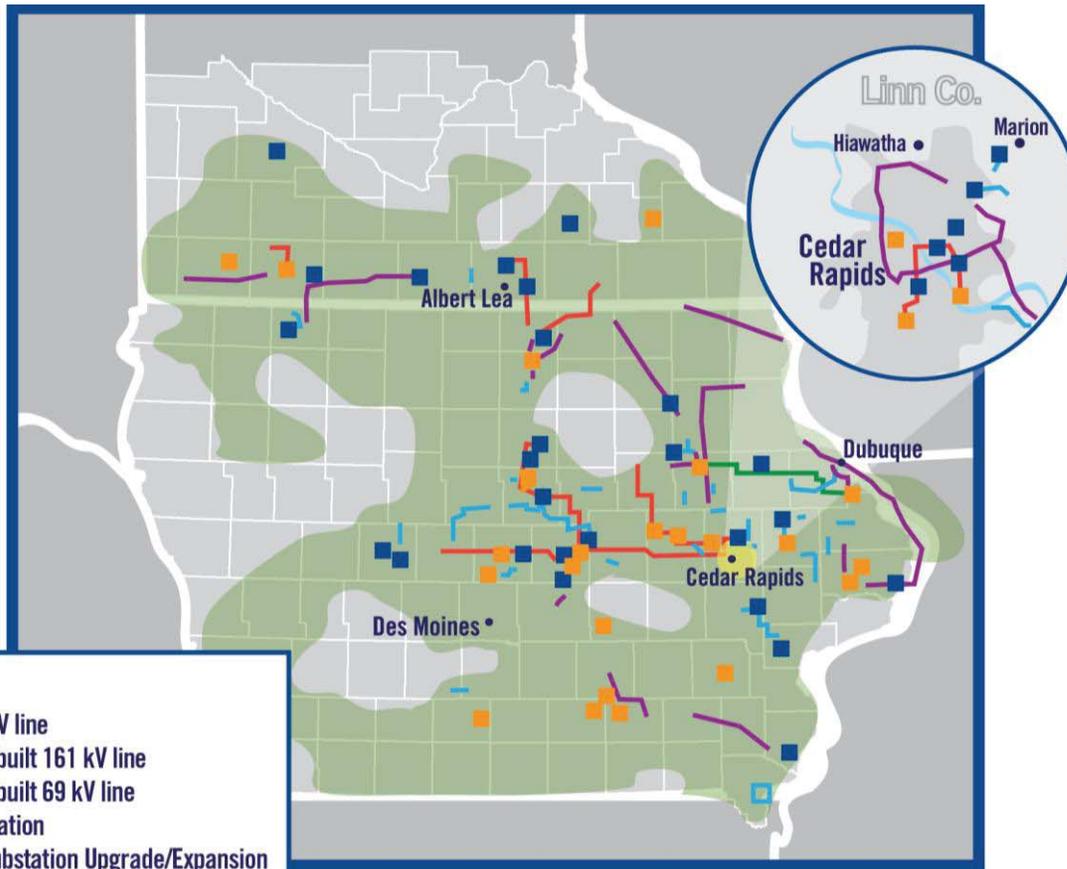
ITC has done work across the region, with pockets of higher work in key areas



Appendix 8

Project Update

Work Completed Across Service Territory



This shows the addition of lines that also have been serviced to meet NERC reliability standards

Legend:

- New 345 kV line
- New or Rebuilt 161 kV line
- New or Rebuilt 69 kV line
- New Substation
- Existing Substation Upgrade/Expansion
- ITC Midwest Service Area
- NERC



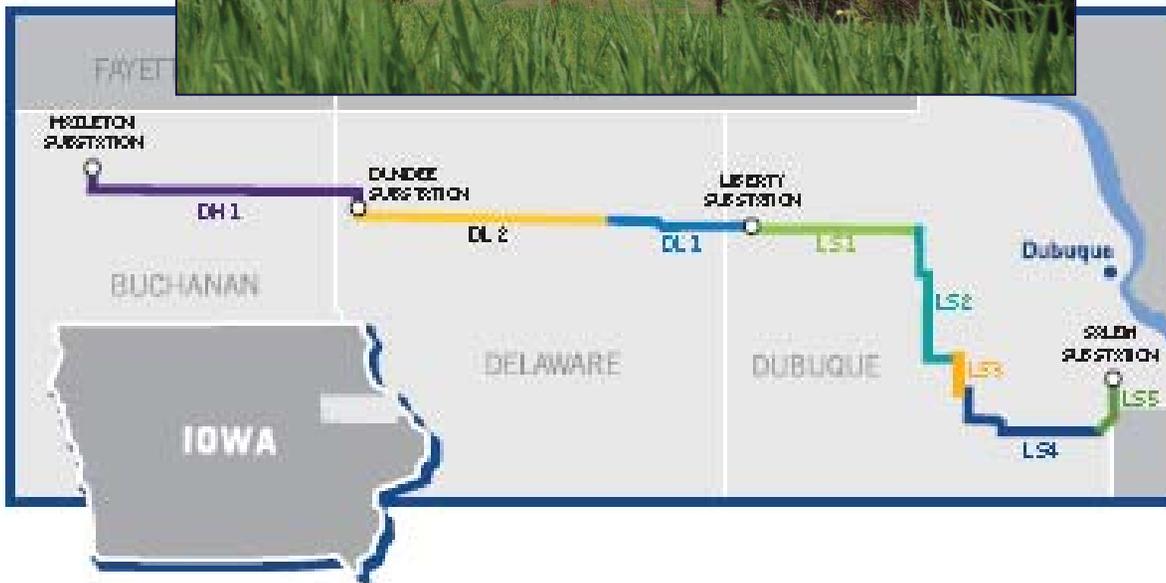
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Project Update Salem-Hazleton 345 kV Line



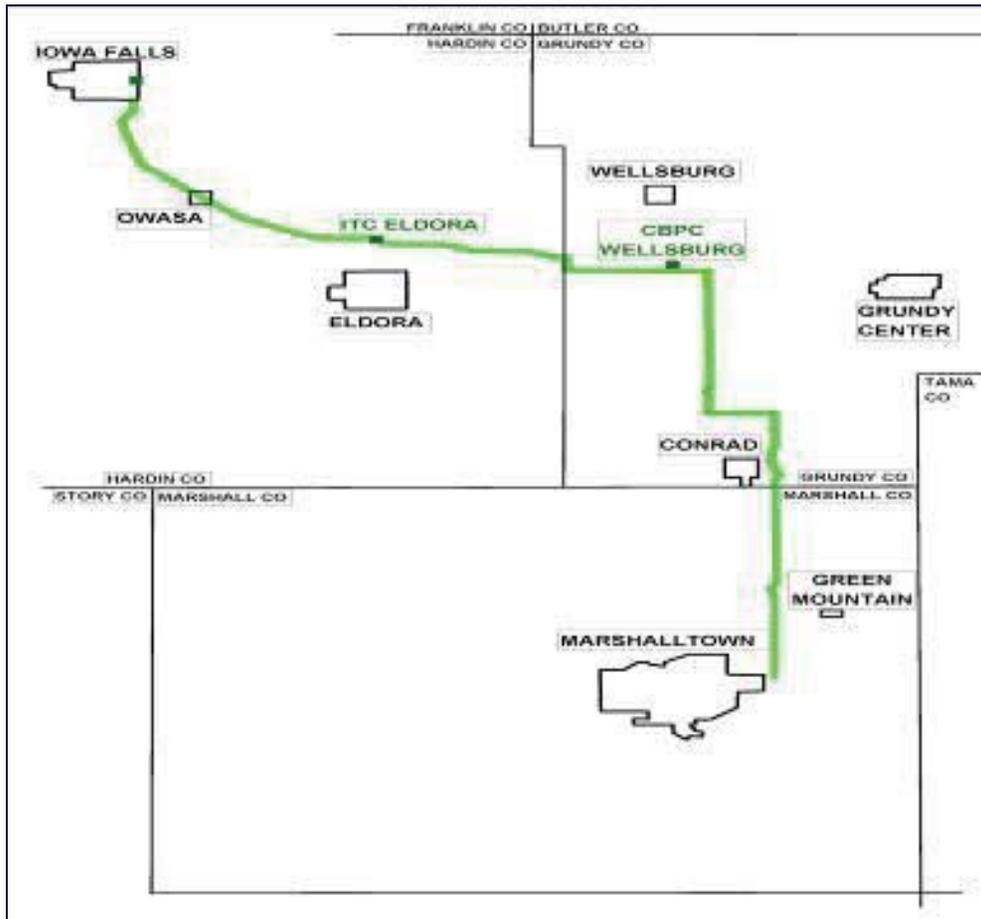
- **Description:** New 81-mile line of 345 kV, double circuited with existing 161 kV for portion of line.
- **Status:**

**ENERGIZED END
OF APRIL 2013**



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Project Update Nuthatch to Marshalltown



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

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

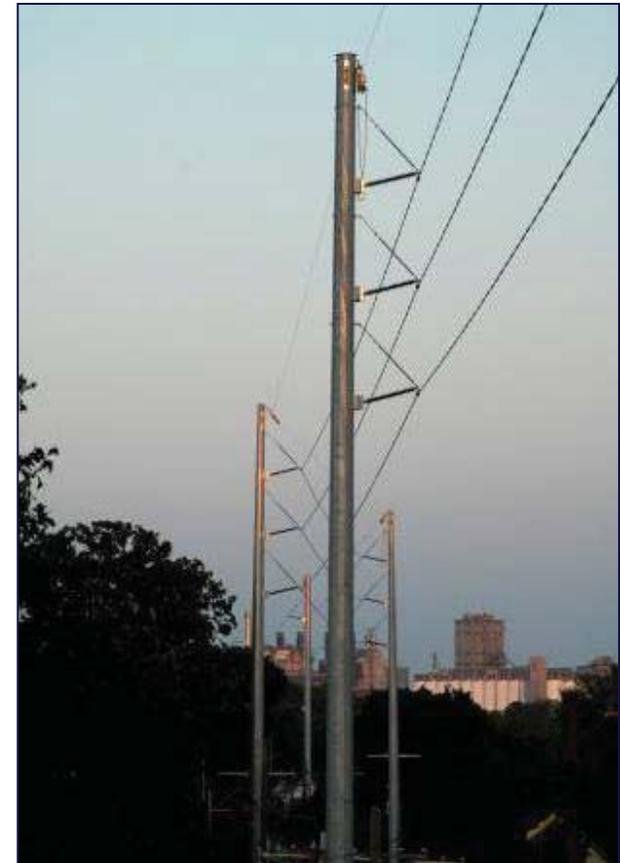
Status: Construction Complete



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Project Update Cedar Rapids Reliability Project

- Completed the last segment of the reliability loop for the core of Cedar Rapids in March 2013
- 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



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Project Update Hiawatha to Coffey 161 kV Line

Description: New 10-mile 161 kV line between ITC Midwest's new Coffey Substation and the existing Hiawatha substation.

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

Status: Construction Complete

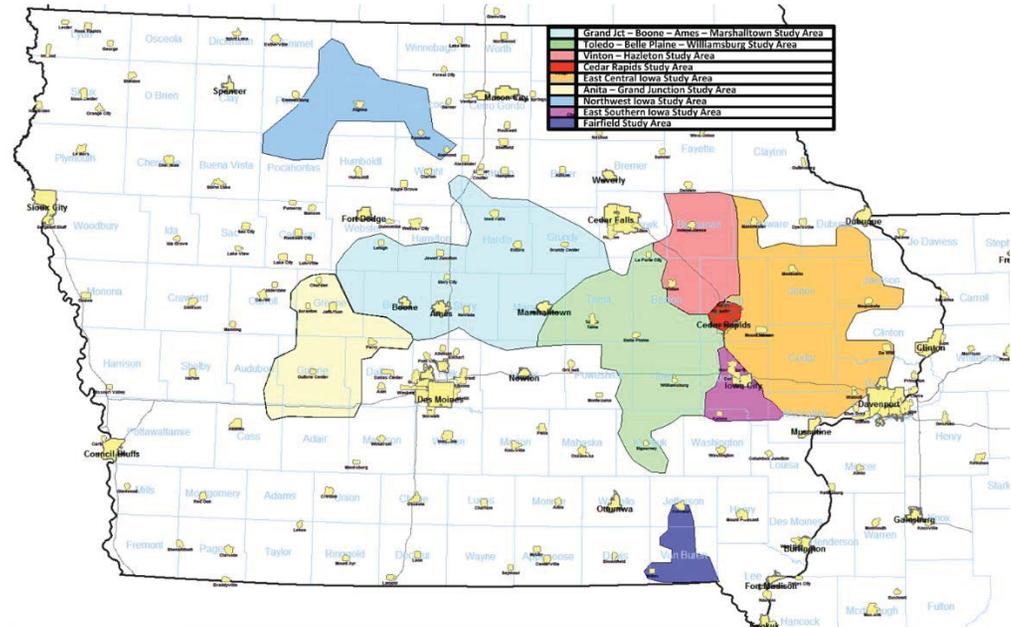


Project Update

34.5kV to 69kV Upgrades

Update

- Six stakeholder groups have been formed for planning purposes.
- Have upgraded 173 miles of 34.5kV to 69kV standards since transaction through end of 2012.
- Expect to complete 93 additional miles of upgrades in 2013 (total of 266 miles since transaction).
- Expect to complete 544 miles of upgrades, 277 miles of retirements and 950 miles (682 ITC Midwest, 268 CIPCO) of conversion by year-end 2017.



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Project Update 34.5kV to 69kV Upgrades

Drivers

- Age and condition of 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
- ITC Midwest committed to the timely upgrade of the 34.5kV system to 69kV standards as part of the 2007 ITC Midwest/IPL transaction.



North American Electric Reliability Corp.

- Provides assurance to public, industry and govt. for the reliable performance of the Bulk Power System
- All BPS owners, operators, and users must comply with NERC-approved Reliability Standards
 - Issues sanctions and ensures mitigation of confirmed violation of mandatory NERC Reliability
 - Standards include System Modeling, Analysis, Voltage and Reactive Control, Comm, Protection, CIP, Facilities Design, etc.
- Address events and identifiable risk
 - Estimated cost of 2003 Blackout - \$4B-\$10B in U.S. and \$2B in Canada; 50 million people without power



NERC Alert

NERC Alert Recommendations

- 1/18/2011 – Submit assessment plans
 - Use a prioritized approach
- 12/31/2011 – Assess “high priority” facilities
- 12/31/2012 – Assess “medium priority” facilities
- 12/31/2013 – Assess “low priority” facilities
- Mitigate deficiencies within one year after found

ITC requested and received a one-year extension



NERC Alert

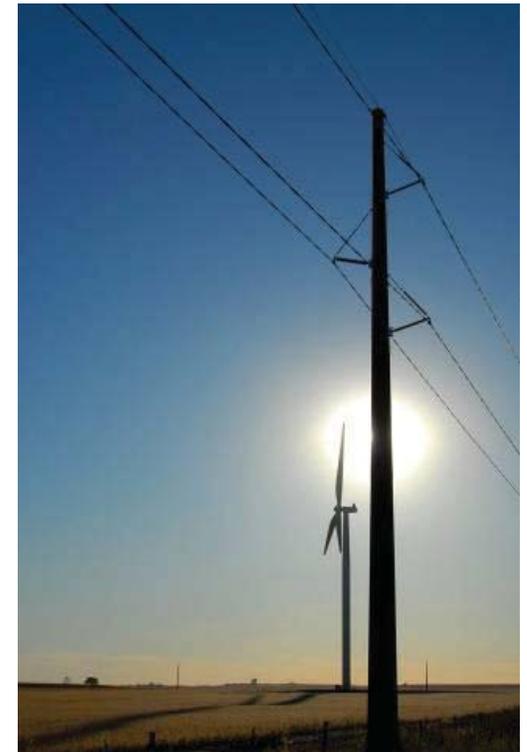
ITC Midwest NERC Alert Status

- 2,040 miles total
- Roughly 680 miles in each of the three priorities
- High Priority - Complete
- Medium Priority - 2/3rd complete
- ITC to complete all priorities by end of 2015
- ITC's system will adhere to NERC and NESC Standards, providing safe clearances to the public



Project Update Wind Interconnections

- **Update – Wind Generator Interconnects**
 - To date, ITC Midwest has completed 23 new generator interconnects, adding approximately 2,500 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, and wind capacity now accounts for approximately 43% of the nameplate generating capacity connected to ITC Midwest’s transmission facilities.
- **Active ITC Midwest Interconnection Requests in MISO Queue**
 - 22 projects (approximately 2,300 MW) under evaluation.
 - 8 projects (approximately 950 MW) already connected with studies complete and GIA amendments pending.



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



Project Update MISO's MVP Portfolio

- Portfolio of projects studied and designated “Multi-Value Projects” or “MVPs” by Midcontinent Independent System Operator (MISO)
- 17 total projects
 - Warranting cost-sharing across entire MISO territory of 11 states
- MISO’s MVP portfolio is the product of extensive analysis of the energy and reliability needs of the region by MISO. These analyses were conducted with substantial input from transmission-owning utilities, load-serving entities, generation developers and governmental entities in the affected states.
- ITC Midwest building segments of four 345 kV projects – MVP3, MVP4, MVP5, & MVP7

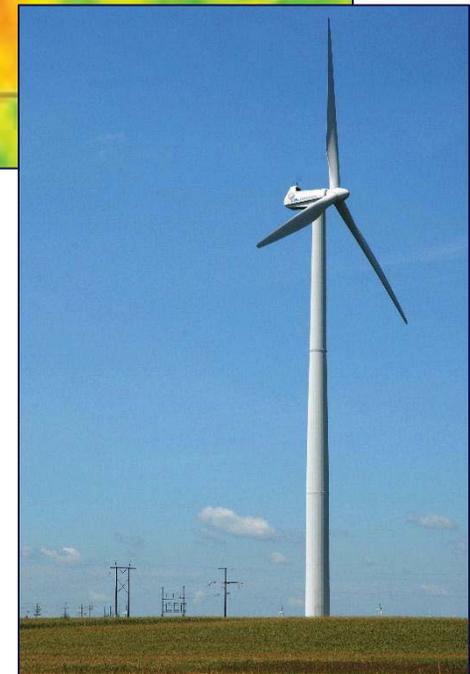
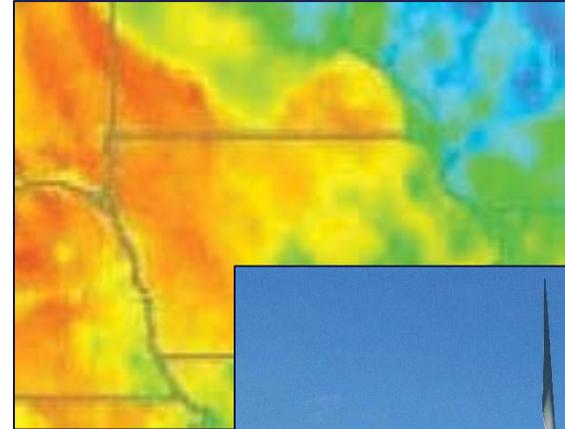


ITC Midwest is designated to build segments of projects in blue.



Project Update MVP Benefits

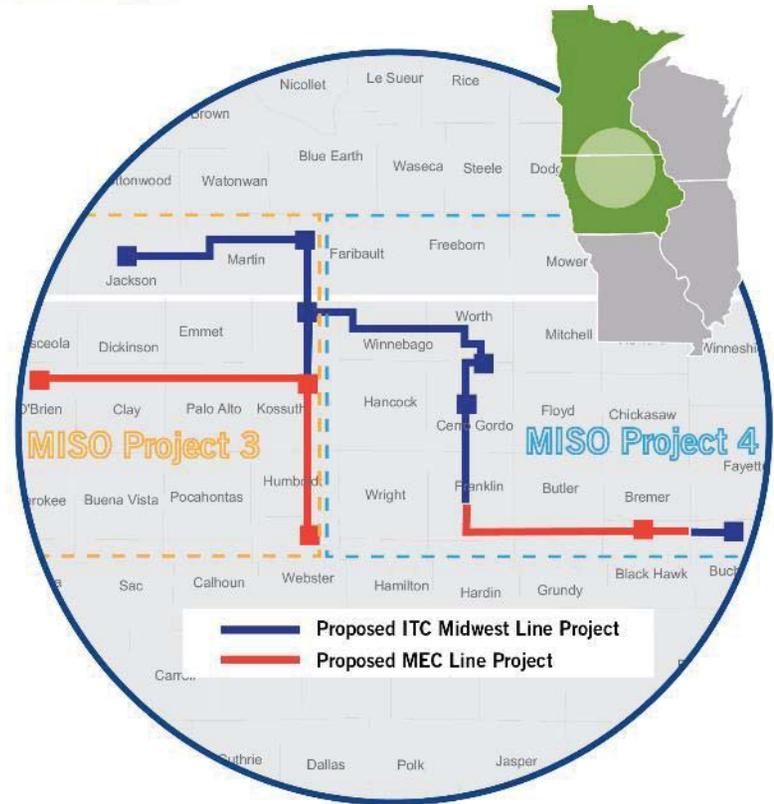
- The multi-value project portfolio was approved by MISO's Board of Directors as part of MTEP11.
- In its evaluation, MISO identified more than a dozen benefits of these projects, including:
 - Improved reliability
 - Improved system efficiency
 - Reduced planning reserves
 - Expanded generation options
 - Job creation and investment



Project Update

MVPs – 345kV Projects 3 and 4

- Project 3:
 - Joint ITC/MidAmerican Energy Company (MEC) Project
 - 345kV
 - ~145 miles in Iowa
 - ~70 miles in MN
- Project 4:
 - Joint ITC/MEC Project
 - 345kV
 - ~190 miles in Iowa



ITC Midwest has completed all MVP public informational meetings, held in Black Hawk, Buchanan, Cerro Gordo, Franklin, Kossuth, Winnebago, and Worth Counties. Franchise amendments have been filed for the Black Hawk to Hazleton project and the Colby to Killdeer project.

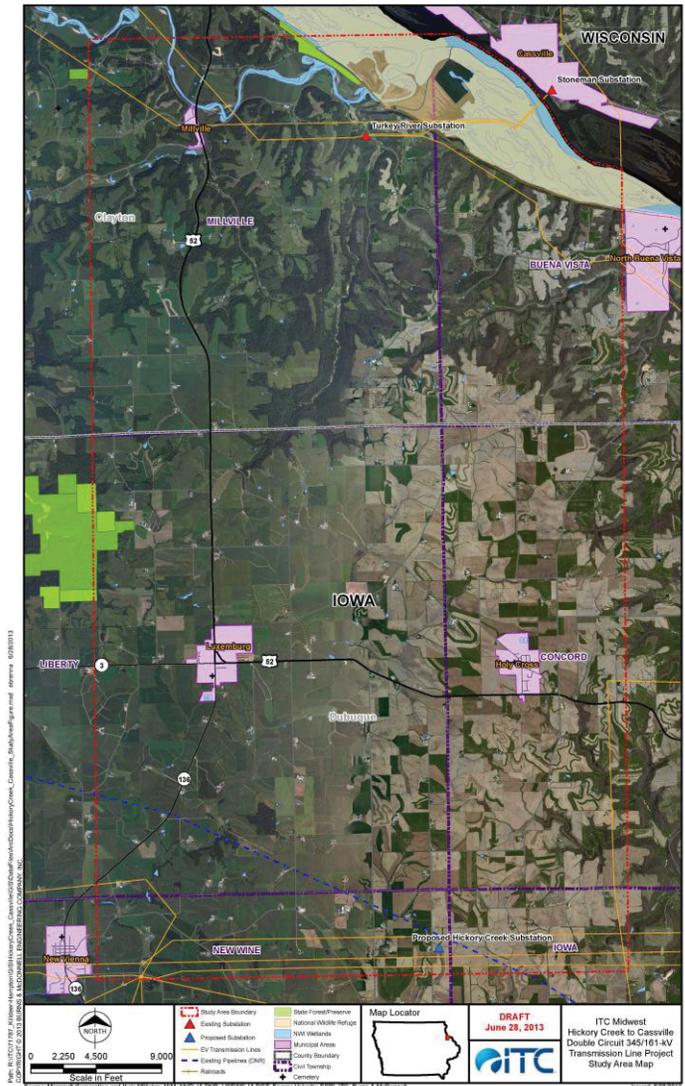


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Project Update Generator Retirement Projects

Nelson-Dewey Retirement Upgrades:

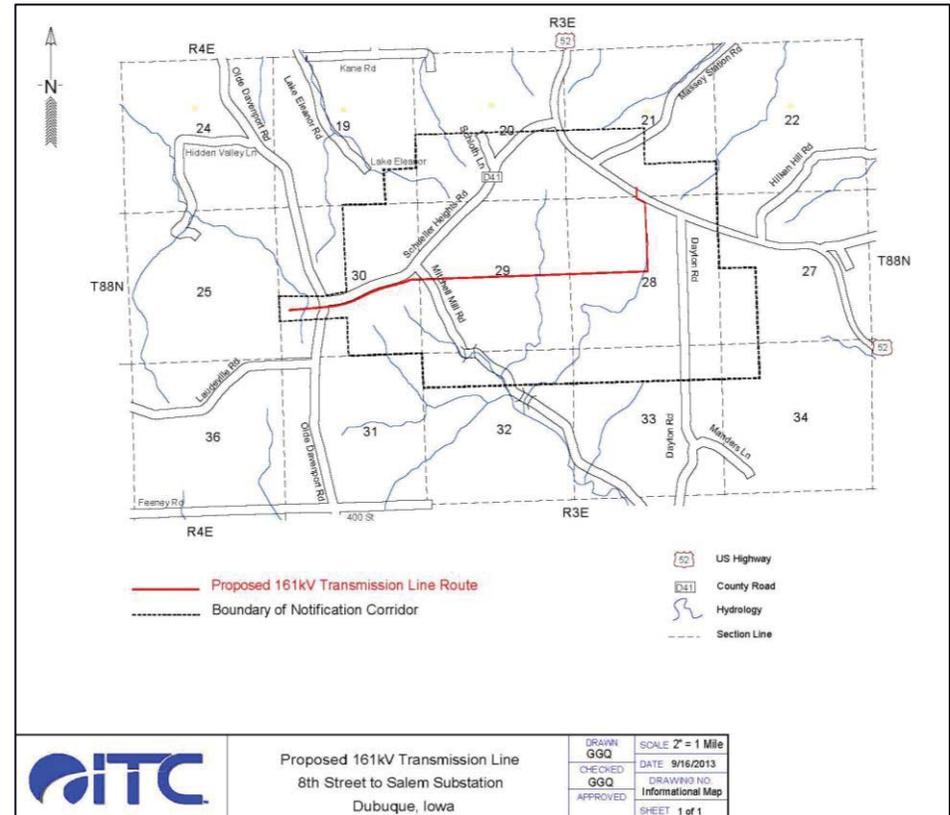
- Alliant - WPL plans to retire the Nelson-Dewey Coal Plant in Cassville, Wisconsin by year-end 2015.
- MISO has determined that the following transmission upgrades are necessary once this plant is no longer operational:
 - Rebuild 161kV line between Turkey River Substation to Lore Substation 161kV Line to 1600 amp capacity.
 - Build new Hickory Creek 345/161kV Substation (which is part of MVP5)
 - Implement Operating Guides
 - Long term solution to remove Operating Guides to be determined in next MTEP



Project Update Generator Retirement Projects

Dubuque 8th Street to Salem 161kV Line:

- Alliant – IPL plans to retire Dubuque 8th Street Generating Station by mid-year 2015.
- A new 161kV line is needed to provide an alternate source of power to the 8th Street Substation once the plant is retired.

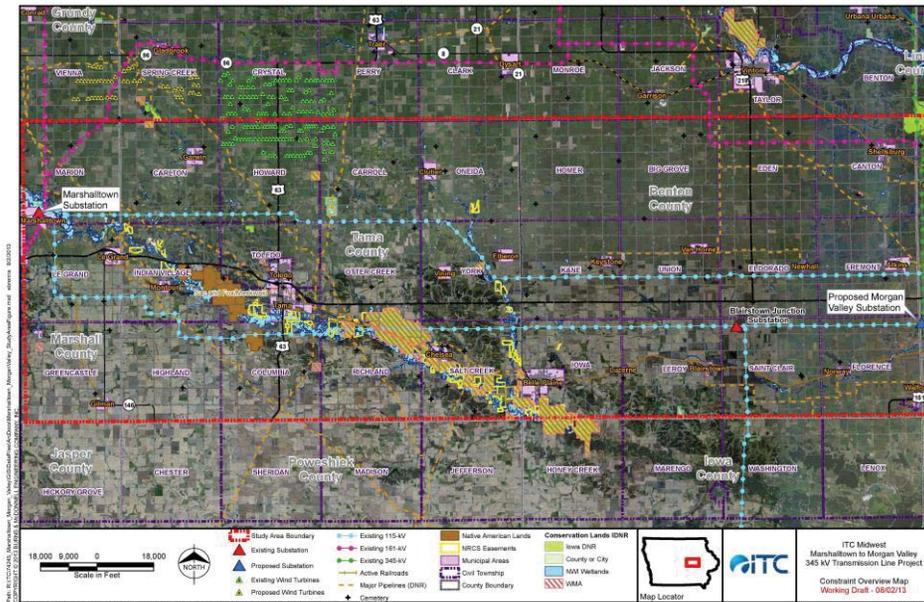


Project Update

Major Network Upgrades for New Generation

New Marshalltown to Morgan Valley 345kV Line:

- Alliant – IPL plans to bring a nominal 600MW gas-fired generating plant on line in mid-2016 in Marshalltown, Iowa.
- Initial MISO planning studies indicate a new approximately 60 mile 345kV line is needed between Marshalltown and Morgan Valley.
- ITC Midwest is currently working on the routing for this line under contract to Alliant-IPL.



Project Update Controlling Project Costs

Controlling Construction Costs

- Competitively bid large projects
- Conduct project reviews as part of engineering cash flow updates
- Field Supervisors on site to verify work progress and potential changes
- Budget versus forecast reviews at key points during project
- Capital committee review process compares initial MISO estimates to design estimates
- Alliance relationships with key vendors with established rates



Project Update

Controlling Project Costs

Controlling Costs of Procurement

- Use of Alliance Suppliers
 - Ability to leverage volume pricing through standardization of equipment
 - Allows procurement forecasts to be given to strategic vendors to hold production slots without financial commitment
 - Prevents scope and price creep through agreements that define how and when rates can change and define not-to-exceed cost caps
 - Creates partnership expectations with regards to key performance indicators such as efficiency, productivity, material quality, time and delivery, and process improvement.
- Use competitive bidding for large purchases such as steel poles
- Periodically competitively bid alliance products to test market pricing and keep competitive tension on suppliers' pricing



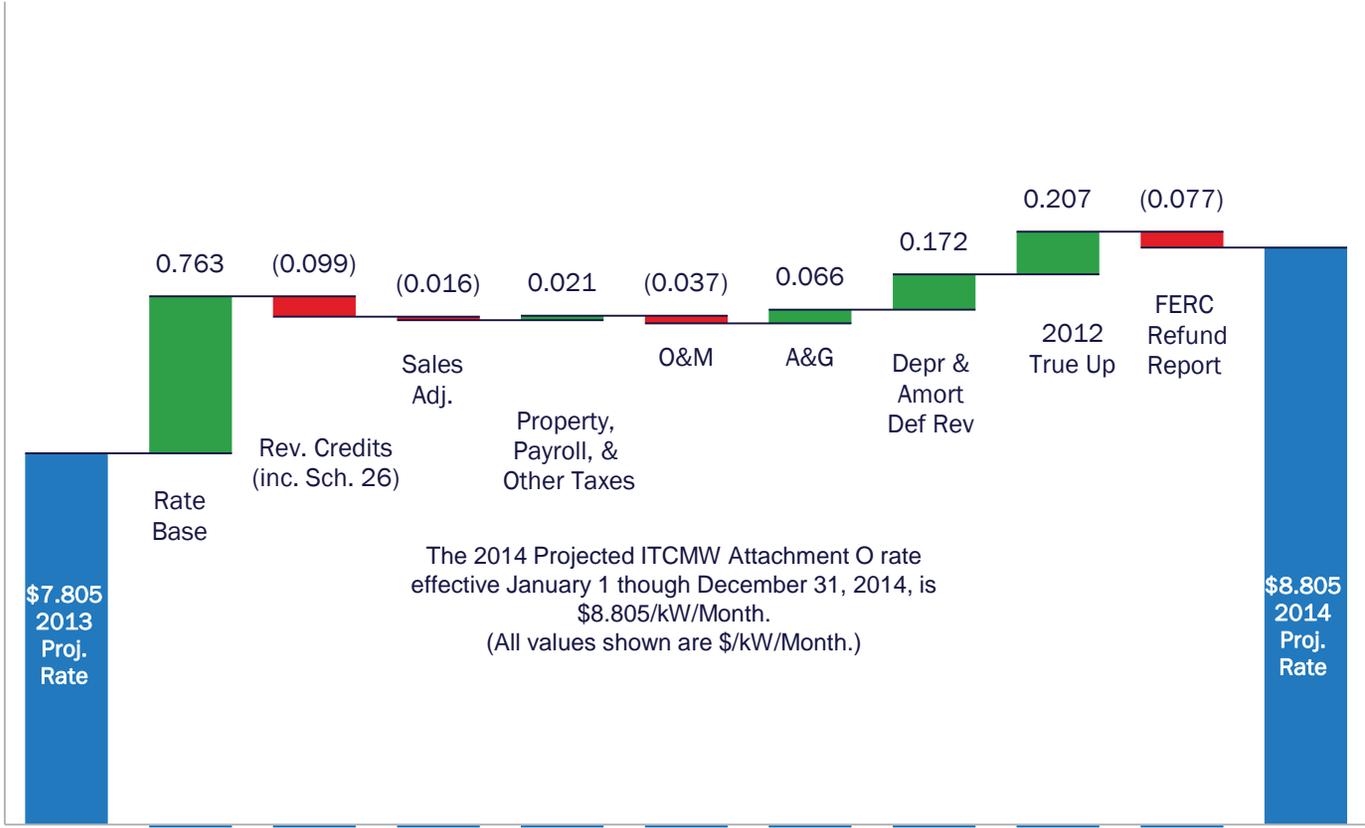
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Rate Update

- 2014 Attachment O Rate with Drivers
- Formula Rate Protocol Filing

Appendix 8

2014 ITC Midwest Year over Year Change in Rate



Appendix 8

Formula Rate Protocols Filing

On September 13, 2013, the MISO Transmission Owners (TOs), along with the ITC companies, made a compliance filing in Docket ER13-2379 at FERC in the Formula Rate Protocols case to adopt provisions that will increase transparency of rate calculations and provide for informal and formal challenges to the TOs implementation of their formula rates.

FERC is currently reviewing the compliance filing which has an effective date of January 2014.





Appendix 8

Questions?



Upcoming Transmission Activities

- **November** - 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.
- **June 1** - ITCM posts Attachment O true-up from 2013, to be applied to 2015 rate. IPL analyzes.
- **June** - IPL Transmission Stakeholder meeting.
- **June 30** - IPL Semiannual Transmission Report due to IUB.
- **September - October** - ITCM Attachment O transmission rate for 2015 posted. IPL analyzes. Preliminary IPL 2015 rate projections for customers. ITCM Partners in Business meetings.
- **October or November** – IPL Transmission Stakeholder meeting.

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!

**Appendix 9 – Follow-up Questions and Answers from IPL Transmission
Stakeholder Meeting, November 18, 2013**



Follow-up Questions and Answers from

IPL Transmission Stakeholder Meeting

Held on Monday, November 18, 2013

During the meeting, a number of questions were asked and answered.

The following are questions that IPL determined needed additional follow-up at this time.

1. The benefits of transmission investment were discussed at the meeting, and categorized into:
 - a. Improved reliability through reduced outages and outage cost
 - b. Reduced energy costs in the form of congestion relief, market access and flexibility of supply
 - c. Enabled opportunities through increased economic development

In regards to a., IPL indicated that working with ITC-M, it has found in the first few years of ITC-M ownership and operation of the transmission system, the estimated outage cost savings to customers over the life of the assets are likely in the range of \$168-498 million.

Regarding b., IPL indicated it will continue to explore means of estimating the benefits of reduced energy cost resulting from transmission investment, and the following question was raised:

Why are the EAC (Energy Adjustment Clause portion of IPL tariffs) charges not going down if transmission investment is yielding reduced energy costs?

Response: IPL anticipates including in its June 2014 Transmission Stakeholder meeting an overview of how Alliant Energy participates in the MISO energy market to source least cost capacity and energy on behalf of IPL customers.

At the meeting, IPL briefly noted that the EAC is made up of multiple components, one of which is MISO market energy prices. MISO market energy prices are conveyed in terms of locational marginal prices (LMPs), and LMPs contain an explicit congestion cost component which can be positive (increase LMP) or negative (decrease LMP). IPL has conducted a review of the average load zone LMPs over the last several years from which MISO billing results and finds somewhat lower LMPs, as noted by stakeholders at the meeting.

Production costs, mainly composed of fuel cost, are a key variable to LMPs, and over the last 4 years natural gas prices have been significantly lower than they were in the previous several years. Low natural gas prices, combined with lower load due to economic downturn have allowed most of the MISO footprint to see lower LMPs. With significant coal unit retirements on

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the horizon, the recent trend of lower LMPs is not expected to continue in the near term. In regards to negative LMPs noted at the meeting, typically negative LMPs are price signals at a production node (generator) to reduce production in order to relieve a system constraint. Negative LMPs typically represent bottled up generation that is not able to move easily from one part of the system to another, for instance from the generator to the load, due to transmission system constraints. A negative LMP at a production node can contribute to a lower overall load price; but energy to meet load is purchased at a load weighted average price. For IPL, energy is purchased at the ALTW load zone price, which is a load weighted average LMP price across the entire IPL footprint. So a negative LMP at a wind production node may have a small overall impact on a load zone price if there is not much load at the node or other nearby nodes also experiencing negative LMP, which is typically the case.

To address the topic of “capacity deliverability” raised at the meeting, IPL is assuming this is in reference to the new Capacity Import Limits (“CIL”) and Capacity Export Limits (“CEL”) utilized under the new Planning Resource Auction (“PRA”) under the MISO Module E-1 capacity construct. These CIL and CEL values are very new, and in fact MISO has just run its second annual iteration of these calculations for the upcoming PRA for the Planning Year 2014-2015. MISO has refined their methodology from the Planning Year 2013-2014 whereby their calculations more appropriately include transmission system elements less than 230kV. This updated methodology has reduced the CIL and CEL limits across the MISO footprint. Based on the MISO 2014 Loss of Load Expectation Study (LOLE Study), the Zone 3 CIL, which includes IPL and MidAmerican Energy, is 1,591 MW. As a comparison, the CIL for Zone 3 was 3,717 MW in the 2013 LOLE Study. It should be noted that the limiting element for the 2014 study is located on the Ameren Missouri system, and not located in Iowa.

The MISO LOLE studies are located at:

2013:

<https://www.misoenergy.org/Library/Repository/Study/LOLE/2013%20LOLE%20Study%20Report.pdf>, see page 4 for a table of all CIL and CEL values by zone, page 21 for a summary of the CIL limiting elements by zone.

2014:

<https://www.misoenergy.org/Library/Repository/Study/LOLE/2014%20LOLE%20Study%20Report.pdf>, see page 5 for the table of all CIL and CEL values by zone, page 16 for a summary of the CIL limiting elements by zone.

Individual generating unit deliverability tests do not directly come into play in the MISO markets, unless an existing unit that was already deliverable later becomes undeliverable due to changes on the system. All existing units that existed prior to the MISO market were granted deliverability at a set pre-market level; any new generators that interconnect to the MISO system are required to make system upgrades which grant them a desired level of deliverability for that specific generating unit. Typically base load, capacity type resources opt to acquire full

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deliverability up to their maximum output levels, and intermittent type resources such as wind elect a reduced deliverability amount to recognize that accreditation for wind is at a level significantly less than name plate capacity in MISO (anywhere from 8% to 20% over the last several years). Once a unit is deemed deliverable to the MISO market footprint, MISO, through its annual transmission planning study MTEP, ensures generators are able to maintain their level of deliverability previously achieved.

IPL, through permission of the IUB, has implemented a Tax Benefit Rider (TBR) which over the past few years has helped attenuate overall EAC costs.

Again, IPL anticipates including in its June 2014 Transmission Stakeholder meeting an overview of how Alliant Energy participates in the MISO energy market to source least cost capacity and energy on behalf of IPL customers.

2. What is the dispatch rate for DAEC?

Response: We assume the term dispatch rate is the equivalent of the industry standard generation metric of capacity factor. The Duane Arnold Energy Center (DAEC) had a capacity factor of 83% in the most recent full year of 2012 (www.nrc.gov/reading-rm/doc-collections/nuregs/staff/sr1350/appa.xls), meaning that it produced 83% of the total MWh it was capable of producing that year. As noted in the meeting, DAEC is designated as a “must-run” unit in the MISO dispatch.

3. What was the ITC Midwest true-up amount in 2012 (for 2011)?

Response: The historical ITC Midwest true-up amounts are summarized as follows:

			From 2008	From 2009	From 2010	From 2011	From 2012
			Posted 2009	Posted 2010	Posted 2011	Posted 2012	Posted 2013
	Applied to	Applied to	Applied to	Applied to	Applied to	Applied to	Applied to
	2008 Rates	2009 Rates	2010 Rates	2011 Rates	2012 Rates	2013 Rates	2014 Rates
True-Up	n/a	n/a	\$53,067,697	\$23,553,608	-\$3,734,566	-\$10,165,754	-\$5,639,724

4. How do we know that ITC – Entergy transaction costs are not being recovered through ITC Midwest rates?

Response: In late 2011 ITC Holdings (ITC) announced plans for a merger with Entergy in which Entergy would divest its transmission assets and merge them with ITC. On September 24, 2012 ITC & Entergy made a joint filing to FERC to approve the transaction, followed by applications in the four states affected. IPL has been engaged in this issue to ensure that the

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costs associated with the transaction and the costs that will be associated with the newly created entity will not be improperly allocated to IPL's customers through ITC Midwest's rate. This described in more detail below.

First, prior to ITC and Entergy filing for approval of the transaction at FERC, IPL sought assurances from ITC that IPL customers would not be detrimentally impacted by the transaction. ITC did provide assurances to that effect to IPL, however no documentation on its analysis was provided, nor was any formal commitment made to alleviate IPL's concerns. Likewise, IPL's concerns were not addressed to IPL's satisfaction in the joint FERC filing to approve the transaction.

Next, IPL filed an intervention and comments on December 7, 2012 (in FERC Docket Nos. EC12-145-000, ER12-2681-000 and EL12-107-000) which expressed opposition to the transaction based on the potential of negative impacts to the ITC Midwest Administrative and General costs (A&G) and concerns about the potential competition for time and attention given to IPL by ITC management as a result of the transaction.

On February 22, 2013 ITC filed a response to comments in the docket including those by IPL. ITC's response to IPL's concerns again provided general reassurances but did not provide any formal commitments. ITC did note that "...ITC directly assigns costs to the fullest possible extent and allocates A&G costs that cannot be directly assigned..." and "ITC expects to achieve additional economies of scale as a result of this acquisition, which could result in lower A&G costs overall for all ITC customers. The ITC Midwest Attachment O formula rate makes A&G costs transparent to all customers, so IPL will be in a position to monitor these and raise any concerns."

On June 20, 2013 FERC issued an order approving the transaction, but did not address IPL's specific concerns.

On December 13, 2013, ITC and Entergy mutually agreed to terminate pursuit of the transaction after the Mississippi Public Service Commission on December 10, 2013 denied the application to approve the transaction.

IPL will continue to review ITC's FERC Form 1 filings, Attachment O True-Ups, Attachment O rate postings, and future informational filings under the revised MISO Attachment O protocols for any evidence of improper allocation of the ITC-Entergy transaction costs to ITC Midwest rates. In addition, IPL will engage the Attachment O protocol process as needed to request additional information from ITC Midwest.

5. With WAPA (Western Area Power Administration) potentially going to SPP (Southwest Power Pool), to what extent is IPL evaluating cost impacts to IPL customers of alternatives such as connecting NW Iowa load to CBPC (Corn Belt Power Cooperative) transmission, rather than ITC Midwest's?

Response: In the discussion around this question at the meeting, it was implied that IPL is not acting in the best interests of its customers by considering transmission alternatives for its customers in NW Iowa that might result from any potential WAPA/Basin Electric Power Cooperative (BEPC)/CBPC association with SPP.

To the contrary, we believe we have acted in best interests of the IPL NW Iowa customers, long before WAPA's recent announcement. IPL's planning for NW Iowa is described below in more detail, but first some background on these entities and their relationships:

- Earlier in the fall of 2013, WAPA announced a recommendation for its Upper Great Plains Region to begin negotiations to join the SPP, a Regional Transmission Organization (RTO). The WAPA Upper Great Plains Region is not currently a member of any RTO, such as the Midcontinent Independent System Operator (MISO).
- Basin Electric Power Cooperative (BEPC) is a generation & transmission (G&T) cooperative that jointly operates its generation and transmission system in part with the WAPA Upper Great Plains Region. CBPC is a G&T cooperative that has a joint generation pooling and power supply arrangement with BEPC but operates its transmission system independently of the WAPA and BEPC joint system. Although MISO does not serve as the tariff administrator for CBPC and CBPC does not participate in the MISO energy market, MISO currently acts as the Reliability Coordinator for the CBPC transmission system.

First, we note that it is not certain at this time that WAPA will seek to join SPP, much less do so. Nor is it known when that might occur or how the WAPA, BEPC, and CBPC business relationships might be affected if one or more of these entities decides to join an RTO. To speculate now on what the ultimate cost impact might be to IPL would be premature.

Second, we believe that we do act in the best interests of our customers. In fact, prior to any knowledge of the WAPA interest in SPP; IPL, ITC Midwest and CBPC have been working together over the last 2-3 years for IPL to better serve its northwest (IA) customers, while allowing ITC Midwest to retire the area's approximately 120 miles of aging 34.5kV transmission. IPL, ITC Midwest and CBPC have jointly coordinated their planning for this area and IPL's approximately 11 MW of load that over the next 5-7 years calls for:

- IPL to build one new 69kV to 24.9kV substation connected to CBPC's area 69kV transmission system
- ITC Midwest to connect to one new CBPC 161/69kV substation

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- IPL to rebuild some portions of its existing 12.5kV distribution system, convert some other portions to 24.9kV
- Overall, IPL to retire 15 existing distribution substations supplied by the existing ITC Midwest 34.5 kV system and construct 6 new or modified substations supplied by 69kV
- ITC Midwest to retire approximately 120 miles of 34.5kV transmission

These actions will improve the reliability for the IPL customers in this area by moving the load from the existing ITC Midwest 34.5kV transmission system to CBPC's existing area 69kV and 161kV system, and rebuilding some portions of the distribution system and converting others. This approach is designed to minimize overall IPL costs to customers by better utilizing available area transmission resources and retiring aging transmission and distribution infrastructure. None of these plans depend on WAPA's potential membership in SPP.

Lastly, in the discussion around this question at the November Transmission Stakeholder meeting, it was suggested that moving some IPL load onto the SPP system might result in lower MISO Multi Value Project (MVP) cost allocation to IPL customers.

This, and the suggestion regarding WAPA/BEPC/CBPC and SPP, are similar to one discussed at an earlier meeting where it was suggested that IPL consider connecting where possible to the MidAmerican Energy (MEC) transmission system to access lower transmission rates.

In that evaluation, IPL observed that as load leaves ITC Midwest system, transmission rate goes up for load that remains, due to the mechanics of the formula rate. At then-current rates for ITC Midwest and MEC, our analysis indicated 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. In addition, extensive new transmission interconnections would need to be built, at significant cost to the new load taking transmission service from MEC, and in turn, to IPL and its customers.

IPL observes that from that earlier evaluation it must be recognized that in shifting load from one transmission price zone to another, the transmission rates will themselves change since they are a function of load. The zone from which load is shifted will see its rates go up—in this case, IPL and its customers in the ITC Midwest Rate Zone.

Likewise, the MVP rate is calculated based on the load in a price zone compared to the entire MISO load for the year. If IPL chooses to shift load away from MISO to say SPP, the remaining load within MISO would absorb the total MVP charges. With less total load to spread the same charges over, this results in a slight increase in the rate for the remaining load; again, IPL and its customers in the ITC Midwest Rate Zone.