

2013 Budget

Customer Presentation
October 3rd, 2012

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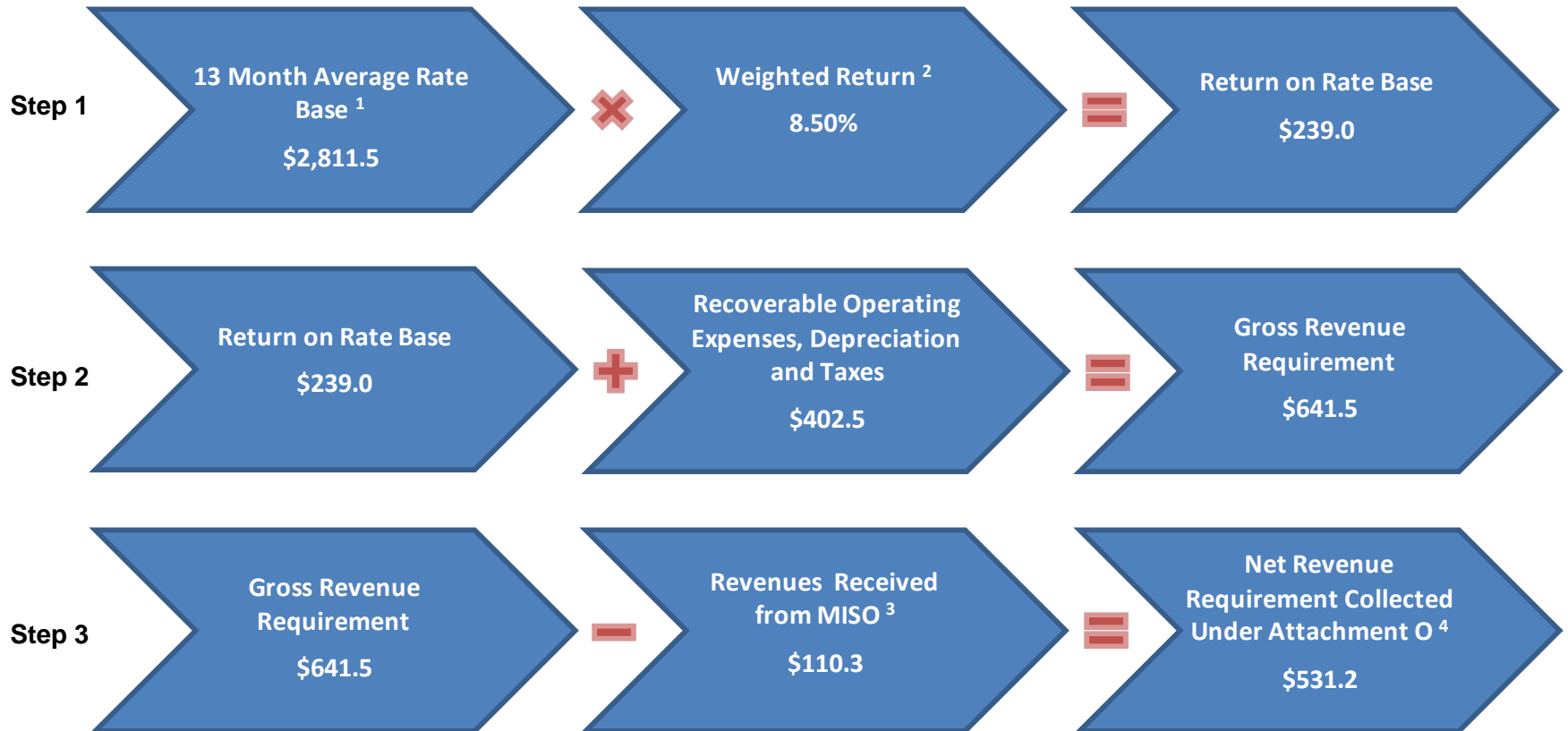


Welcome & Overview

- Welcome!
 - Introductions – Tom Finco
 - Budget Overview – Kevin Szalacinski
 - Capital Investment – John McNamara
 - Pre-certification – John McNamara
 - Q&A - All
 - Summary & Close – Tom Finco

2013 Projected Network Revenue Requirement

(\$Millions).



¹ Includes CWIP and new assets placed in-service.

² Comprised of 50% Weighted Cost of Debt and 50% Allowed Return on Equity.

³ This includes revenues collected under Schedule 26 (RECB), Schedule 26-A (MVP), Schedule 1 and other credits such as Point-to-Point revenues.

⁴ Actual billed revenue will be further reduced by \$1.3M for a prior year true-up

Network Revenue Requirement

(\$Thousands)

	2012 6+6 Forecast	2013 Budget	2014 Forecast	2015 Forecast	2016 Forecast
Return on Rate Base	\$ 229,948	\$ 238,961	\$ 250,457	\$ 270,336	\$ 332,507
Income Taxes	95,634	100,390	105,073	114,129	138,198
Depreciation	106,434	113,234	119,340	125,747	128,614
Operating Expenses ¹	180,773	188,870	190,851	194,606	202,398
Offsets					
RECB (Schedule 26)	(68,283)	(79,698)	(88,327)	(92,063)	(103,258)
MVP (Schedule 26-A) ²	(7,782)	(10,025)	(12,728)	(15,084)	(37,999)
Point-to-Point (Schedule 7 & 8)	(8,744)	(8,400)	(8,400)	(8,400)	(8,400)
Other Trans Service (Schedule 1)	(10,129)	(10,881)	(10,908)	(10,935)	(10,962)
Other Offsets	(1,248)	(1,298)	(1,298)	(1,298)	(1,298)
Network Revenue Requirement	516,603	531,152	544,060	577,037	639,801
Network True-up Adjustment	(15,648)	(1,295)	7,726	-	-
Network Billed Revenue	\$ 500,955	\$ 529,857	\$ 551,786	\$ 577,037	\$ 639,801
Network Billed Revenue (Oct 2011)	\$ 500,911	\$ 530,200	\$ 550,723	\$ 567,231	n/a
Network Billed Change from Oct 2011	\$ 43	\$ (343)	\$ 1,063	\$ 9,806	

¹ Includes O&M, Project O&M, Pre-certification and taxes other than income taxes.

² Includes pre-certification costs for Badger-Coulee and Cardinal-Bluffs projects

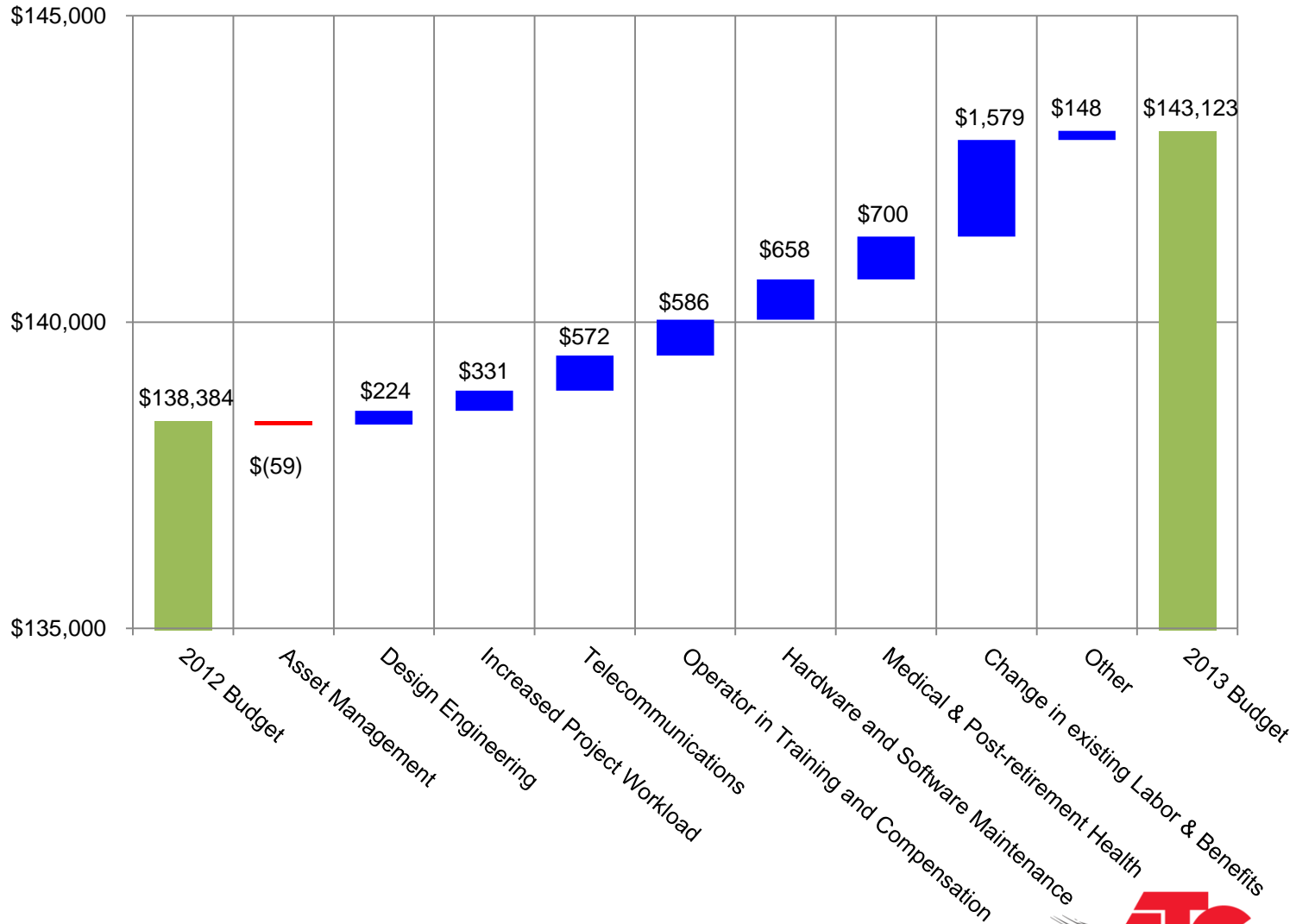
Budget Highlights

- Network revenue requirement for 2013 and 2014 is within \$1M of amounts communicated to customers in October 2011
- Budget assumes Multi-Value Project (MVP) pre-certification costs of approximately \$6.6M are recovered through regional cost allocation
 - ATC has filed with FERC to modify our Attachment MM
- Operation & Maintenance is \$143.1M for 2013, or a 3.4% increase from 2012 (\$138.4M* in 2012)
 - Increased labor cost of \$4.2M
 - Corporate IT, System Operations EMS and telecommunications costs \$1.3M

* Adjusted to reflect continuation of headquarters facility lease

2013 vs. 2012 O&M

(\$Thousands)



Labor Drivers

- Staffing assessment based on 10 Year Assessment
 - Significant ramp-up of project work between now and 2016 projected to be approximately \$700M in 2015 and \$1.0B in 2016
 - Scalable plan with most resources being outsourced
- Evolving standards continue to add operational and compliance requirements that must be fulfilled.
 - Protection System Maintenance Standards
 - Protection of Critical Cyber Assets
- ATC expanded the system operator in training program
 - 19 of 43 current staff projected to retire by 2016
 - Other utilities facing similar pressure
- Develop in-house Design Engineering staff to develop technical expertise and;
 - Reduced engineering costs for small projects

Budget Risk Items

- Unanticipated transmission system costs
 - Major storm damage, equipment failure, etc.
- Additional NERC mandatory reliability standards or existing compliance standard modifications/adjustments could drive additional costs
 - Critical Infrastructure Protection (CIP)
 - Changing protective relay maintenance requirements
 - NERC Alerts
 - Remediation costs may be greater based on actual field conditions
- Unanticipated labor related costs (could increase or decrease)
 - Medical
 - Post-retirement health (current and projected)

Regional Cost Sharing Impact on ATC Zone

- We will need to rely more on the MISO estimate over time as the composition of regionally cost shared projects will change. The MISO estimated charges to the ATC pricing zone are updated every June and December.
 - MISO projections for the total RECB charges can be found at the following websites:
 - 2006-2011 MTEP projects:
<https://www.misoenergy.org/Planning/TransmissionExpansionPlanning/Pages/MTEPStudies.aspx>
 - Under the MTEP Study Information heading select: Indicative annual charges for approved BRP, GIP and MEP (Schedule 26) (Tab – Indicative Sch 26 Charges)
 - 2012 MTEP Projects:
<https://www.misoenergy.org/Planning/TransmissionExpansionPlanning/Pages/MTEP12.aspx>
 - Under the MTEP12 Reports heading select: Appendices A1, A2 and A3 (Tab – A-2.1)
 - MISO projections for Multi Value Project (MVP) charges can be found at the following websites:
 - <https://www.misoenergy.org/Planning/TransmissionExpansionPlanning/Pages/MTEPStudies.aspx>
 - Under the MTEP Study Information heading select: Indicative annual charges for approved Multi Value Projects (Schedule 26-A) (Tab – Schedule 26-A Projections)
- ATC estimates 2013 RECB costs of \$66.8M compared to an estimate provided by MISO of \$72.6M
- ATC estimates 2014 RECB costs of \$79.8M within the ATC pricing zone. MISO estimates these costs to be \$95.2M

CAPITAL INVESTMENT

2013 – Top 5 Projects by Spending Level

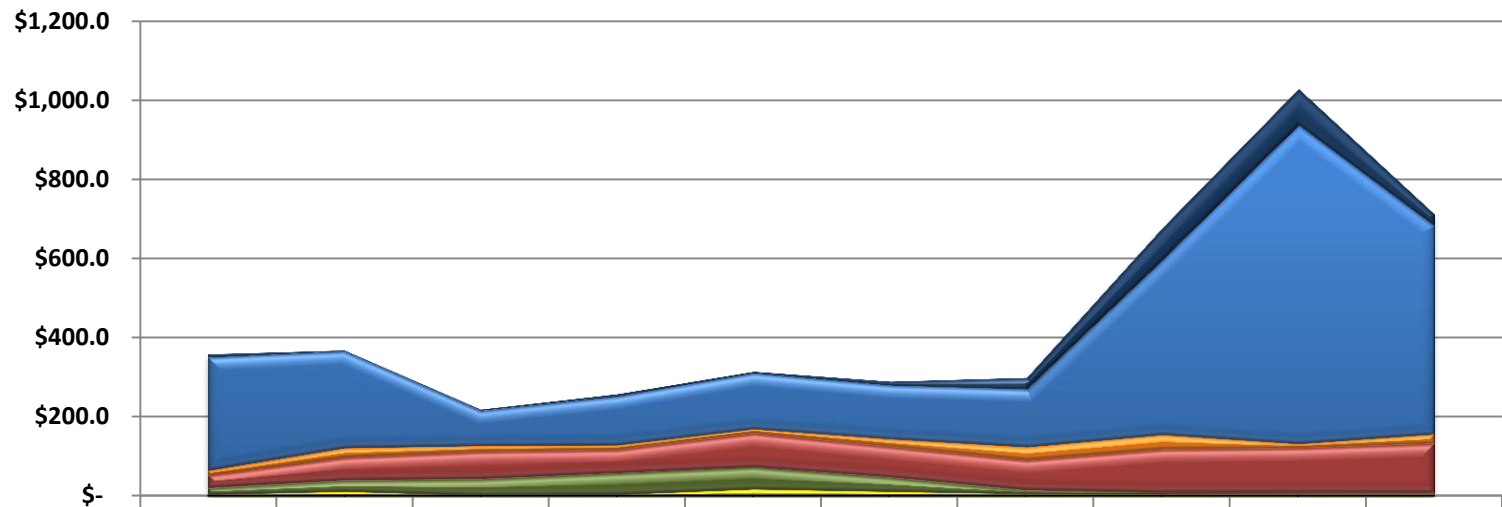
Project	2013 \$ (Millions)	Total Project \$ (Millions)	Reason	2013 Status (as of 1/1/2013)	Key Benefits
1 Straits SS-Install Power Flow Control	\$ 62.9	\$ 130.3	Network Reliability	Construction	Improve Operational Flexibility Supports Load Growth
2 Zoo Interchange	\$ 18.6	\$ 43.2	Infrastructure Relocation	Construction	Road Relocation Increase Operating Flexibility
3 PLPL41 PLP-Zion Energy Center	\$ 14.2	\$ 29.3	Network Reliability	Construction	Economic Benefits Improve Operational Flexibility Maintain Reliability
4 L6904-6905 Rebuild 69kV to 138kV	\$ 12.0	\$ 36.4	Network Reliability	Construction	Improve Operational Flexibility Supports Load Growth
5 Atlantic 69kV Line Rebuild	\$ 12.0	\$ 17.6	Asset Renewal	Engineering	Improve Operational Flexibility Maintain Reliability Supports Load Growth
	\$ 119.7				

Key Points

- Total transmission capital spend for 2013 anticipated to be \$291.2M The top 5 projects represent 36% of the 2013 total. This compares to 44% in 2012.

Capital History and Forecast by Category

(\$Millions)



	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Generation	8.2	2.5	2.9	5.3	3.9	9.1	28.7	81.0	91.7	30.5
Network	286.0	245.4	90.4	124.7	142.6	136.9	147.6	442.0	803.3	525.5
Distribution	12.6	25.5	15.7	13.3	12.5	21.1	34.1	38.0	12.0	24.6
Asset Renewal	32.3	57.1	69.2	58.7	85.2	77.0	75.1	106.4	111.0	122.8
Other	15.9	27.8	40.2	52.6	54.3	35.0	8.5	4.1	3.1	2.4
Non-Transmission	5.1	12.1	2.9	5.0	18.0	12.1	7.0	7.0	7.0	7.0
Total	362.1	370.3	221.1	259.8	316.5	291.2	301.0	678.5	1,028.1	712.8
Asset Contribution	0.9	0.2	0.6	-	-	-	-	-	-	-

- 2013 capital expenditures were estimated to be \$272.4M in the October 2011 Customer Presentation

2013 - Top 5 Project O&M Drivers

[A]		[B]	[C]
Project Name / Description		Project Type	2013 (\$000)
1	Projects resulting from NERC facility ratings alert	Maintenance	\$ 5,990
2	Sub Security Standards Phase II	Protection	\$ 417
3	35321-Rerate-345kV	Operations	\$ 273
4	V308 345kV Rerate	Operations	\$ 202
5	KANG81- 5063 Rerate ISD 2-22-13	Operations	\$ 182
			\$ 7,063

- The NERC Facility Ratings alert recommends transmission owners confirm that their Bulk Electric System (BES) facility ratings are consistent with field conditions.
- Discrepancies found between the expected and actual ratings result in an increase to Project O&M.
- Total Project O&M spend for 2013 anticipated to be \$12.3M. The top 5 projects represent 58% of the 2013 total.

2013 Pre-cert Budget

	[A]	[B]
Project		2013 (\$000)
1	Bay Lake	\$8,925
2	Cardinal Bluffs	\$4,038
3	Badger-Coulee	\$2,560
4	Barnhart Branch River	\$1,330
5	Spring Valley-N Lake Geneva	\$907
6	Arcadian-Waukesha Rebuild	\$461
7	DYKY21 Line	\$440
8	K115 138kV Conversion	\$243
9	X14 Hillman-Darlington Rebuild	\$235
10	Milwaukee County T-D	\$198
11	Remaining Projects (4)	\$382
		\$19,718

Key Points

- The top 2 projects represent 63% of the total Pre-cert budget

QUESTIONS?

APPENDIX

Five-Year Outlook

(\$Thousands)

	2012 6+6 Forecast		2013 Budget		2014 Forecast		2015 Forecast		2016 Forecast	
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)
(1) Return on Rate Base	229,948	37.5%	238,961	37.3%	250,457	37.6%	270,336	38.4%	332,507	41.5%
(2) Income Taxes	95,634	15.6%	100,390	15.7%	105,073	15.8%	114,129	16.2%	138,198	17.2%
(3) Depreciation	106,434	17.4%	113,234	17.7%	119,340	17.9%	125,747	17.8%	128,614	16.0%
(4) Capital Costs	432,016	70.5%	452,584	70.6%	474,869	71.3%	510,211	72.4%	599,319	74.8%
(5) Operations and Maintenance Expense	138,088	22.5%	142,689	22.2%	149,117	22.4%	155,834	22.1%	161,292	20.1%
(6) Project O&M	8,885	1.4%	12,319	1.9%	7,831	1.2%	9,479	1.3%	13,265	1.7%
(7) Precertification Expense	20,957	3.4%	19,718	3.1%	18,967	2.8%	13,943	2.0%	12,065	1.5%
(8) Property and Other Taxes	12,842	2.1%	14,144	2.2%	14,937	2.2%	15,349	2.2%	15,776	2.0%
(9) Operating Expenses	180,773	29.5%	188,870	29.4%	190,851	28.7%	194,606	27.6%	202,398	25.2%
(10) Total Revenue Requirement	612,788	100.0%	641,454	100.0%	665,721	100.0%	704,818	100.0%	801,717	100.0%
Offsets										
(11) RECB	(68,283)		(79,698)		(88,327)		(92,063)		(103,258)	
(12) MVP	(7,782)		(10,026)		(12,728)		(15,084)		(37,999)	
(13) Other MISO Revenue	(18,873)		(19,281)		(19,308)		(19,335)		(19,362)	
(14) Other Operating Revenue	(1,248)		(1,298)		(1,298)		(1,298)		(1,298)	
(15) (Over)/Under Network Collection	(7,687)		-		-		-		-	
(16) 2011 Network True-up	(7,961)		(1,295)		-		-		-	
(17) 2012 Forecasted Network True-up	-		-		7,726		-		-	
(18) Network Billed Revenue	500,955		529,857		551,786		577,037		639,801	

- The RECB (line 11) and MVP (line 12) amounts represent credits to ATC's total revenue requirement for ATC's expected portion of RECB and MVP revenues received from MISO
- Each company should use their load ratio share multiplied by the Network Billed Revenue (line 18) above to arrive at an estimate of Schedule 9 (network service) expense for each year.