



ATC 2011 Budget

Customer Presentation
October 13th, 2010

Helping to **keep the lights on**,
businesses running and communities strong®





Welcome & Overview

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



2011 Budget Highlights

- Network customer billings will remain essentially flat
- 2011 revenue requirement is \$7.5 million less than what was communicated to customers last year
 - Reduction/deferral of capital expenditures
 - Lower debt rates (refinancing of existing debt resulting in expected savings >\$7 million in annual interest costs)
 - Decrease in O&M



Key 2011 Budget Risks

- Regulatory compliance
 - NERC Audit
 - CIP driven security enhancements
- Healthcare benefit costs
- Other unanticipated costs
- Extreme weather, major storm damage, etc...



O&M Change

(\$000's)

2010 Budget

129,377

Change from 2010

Net Labor & Benefits

(1,424)

Marshfield lease

(765)

Maintenance work plans

1,713

Energy usage at substations

995

Credit facility / Rating agency fees

870

CIP security enhancements

750

Data lines

451

Other

775

3,365

2011 Budget

132,742

Key Points

- Operations & Maintenance expense increased 2.6% for 2011.

Five-Year Outlook

	(\$000's)		(\$000's)		(\$000's)		(\$000's)		(\$000's)	
	2010 6/6 Forecast		2011		2012		2013		2014	
	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(I)	(J)
(1) Return on Rate Base	221,348	39.7%	223,524	38.9%	235,935	39.4%	249,717	39.9%	260,828	40.0%
(2) Income Taxes	87,132	15.6%	90,508	15.8%	95,922	16.0%	100,502	16.1%	104,268	16.0%
(3) Depreciation	96,188	17.3%	101,346	17.6%	105,375	17.6%	108,792	17.4%	116,093	17.8%
(4) Capital Costs	404,668	72.6%	415,378	72.3%	437,232	73.0%	459,010	73.4%	481,189	73.7%
(5) Operations and Maintenance Expense	127,466	22.9%	132,146	23.0%	136,774	22.8%	141,564	22.6%	146,522	22.4%
(6) Project O&M	6,743		5,127		4,071		3,782		3,295	
(7) Precertification Expense	4,426	0.8%	8,686	1.5%	7,000	1.2%	7,000	1.1%	7,000	1.1%
(8) Property and Other Taxes	13,983	2.5%	13,191	2.3%	13,943	2.3%	14,342	2.3%	14,754	2.3%
(9) Operating Expenses	152,619	27.4%	159,151	27.7%	161,788	27.0%	166,688	26.6%	171,572	26.3%
(10) Total Revenue Requirement	557,287	100.0%	574,529	100.0%	599,020	100.0%	625,698	100.0%	652,761	100.0%
Offsets										
(11) RECB	(45,648)		(51,240)		(62,048)		(66,597)		(70,229)	
(12) Other MISO Revenue	(16,486)		(15,818)		(15,839)		(15,861)		(15,883)	
(13) Other Operating Revenue	(1,268)		(1,267)		(1,267)		(1,267)		(1,267)	
(14) 2008 Network True-up	0		0		0		0		0	
(15) 2009 Forecasted Network True-up	0		977		0		0		0	
(16) 2010 Forecasted Network True-up	6,899		(7,069)		0		0		0	
(17) Network Billed Revenue	500,785		500,113		519,866		541,973		565,382	
(18) 2010 Budget Presentation (10/2009)	500,785		514,039		525,313		548,028			
(19) Annual % Increase (Current Fcst)	12.5%		-0.1%		3.9%		4.3%		4.3%	
(20) CapEx	218,400		252,071		271,377		252,113		219,684	
(21) % Increase Related to Capital Program	71%		77%		78%		80%		80%	

Key Points

• 2011 overall Revenue Requirement of \$574.5M represents < 1.3% change from \$582.1M presented to customers in October 2009.



Capital Investment

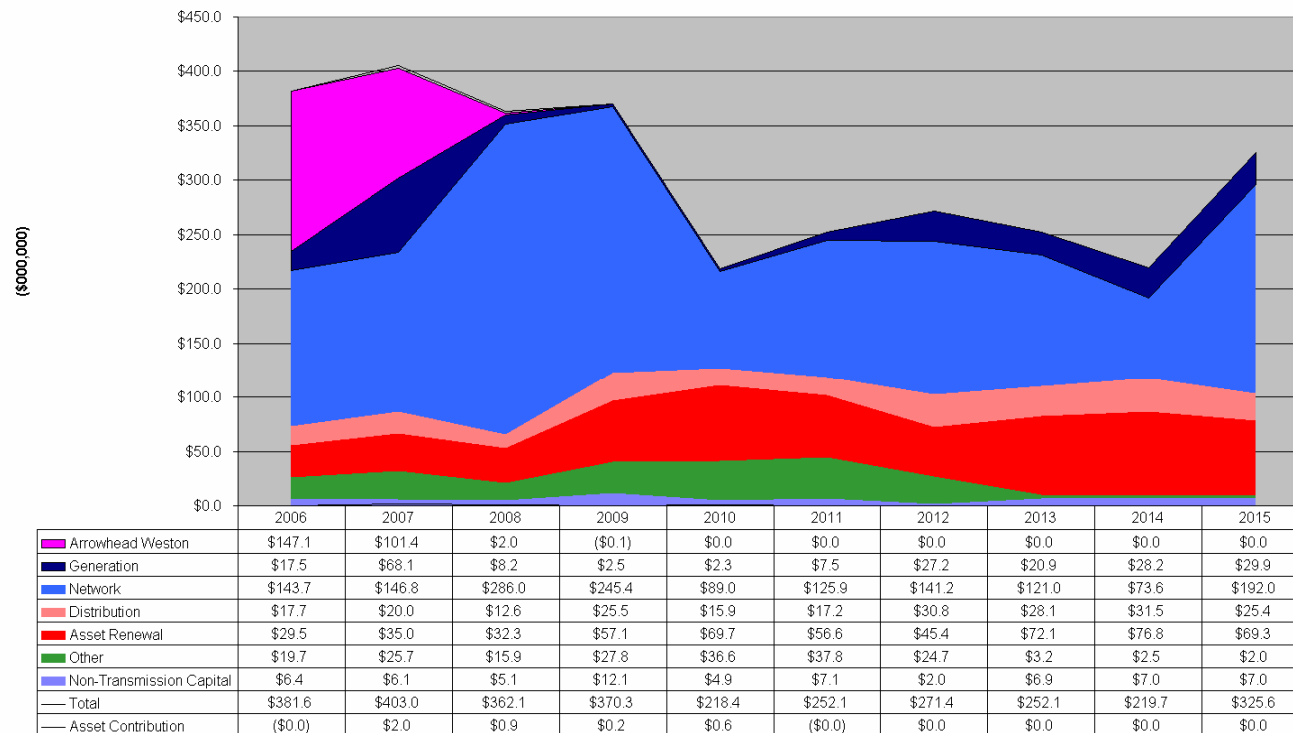
2011 – Top 5 Projects by Spending Level

	[A]	[B]	[C]	[D]	[E]	[F]
	Project	2011 \$ (Millions)	Total Project \$ (Millions)	Reason	2011 Status (at 1/1/11)	Key Benefits
1	Rockdale - West Middleton	76.2	195.7	Network	Engineering	NERC Compliance Reduce System Losses Improve Operating Flexibility
2	Canal - Dunn Rd	14.3	22.2	Network	Engineering	Maintain Reliability Support Load Growth
3	Roberts - Nine Mile Clearance Issues & Reliability Performance	11.0	15.9	Asset Renewal	Construction	NESC Compliance Lightning Reliability & Performance
4	Woodmin - Clear Lake	8.7	22.9	Distribution	Engineering	Customer Interconnection
5	Brodhead - South Monroe Reliability Performance	7.1	11.6	Network	Engineering	Maintain Reliability Improve Lightning Mitigation
		117.3	268.3			

Key Points

- Total transmission capital spend for 2011 anticipated to be \$251 Million.
- The top 5 projects represent 47% of the 2011 total. This compares to 25% in 2010.

Capital History and Forecast by Category



Key Points

- 2011 capex was estimated at \$272.6M in the Oct. 2009 customer presentation.



2011 Pre-cert Budget

	[A]	[B]
		2011 (\$000)
	Description	Budget
1	Badger Coulee	\$6,024
2	Milwaukee County	\$535
3	Bain - Zion	\$505
4	Chandler - 18th Road	\$641
5	All Others (6 projects)	\$981
6		\$8,686

Key Points

- Highly variable due to uncertainty of intervenor and regulatory actions
- Badger Coulee comprises 70% of Pre-cert budget.



Questions?



Appendix



What is Pre-cert?

- Pre-certification expenses are costs that are incurred on a planned project prior to PSCW approval
- Drivers
 - Regulatory requests for studies, multiple route alternatives
 - Legal costs related to filing, interveners, hearings
 - Environmental studies on routes, impacts
 - Engineering work
 - Efforts to educate and gain support of the public
- Some work done “up-front” can create a lower total project cost in the long run



Project Category Definitions

Arrowhead-Weston	All work orders related to Arrowhead-to-Weston project
Generation	Transmission facilities (generally stability-related) necessary to interconnect new generation
Network	Projects required to meet the growing loads of our network customers, improve/maintain reliability, and provide access
Distribution	Transmission interconnections for distribution facilities
Protection	Projects for system protection, such as relay improvements
Operations	Projects undertaken for system operation purposes
Other	Infrastructure relocation, asset acquisitions and land/easement purchase for future use
Asset Renewal	Projects on existing infrastructure undertaken due to physical condition, such as line repairs and pole replacements
Non-Transmission Capital	Projects related to general plant, such as software, hardware, office furniture, and facilities remodeling