



# ATC 2011 Budget

Customer Presentation  
October 13<sup>th</sup>, 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

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3,365

## 2011 Budget

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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)	
	<b>2010 6/6 Forecast</b>		<b>2011</b>		<b>2012</b>		<b>2013</b>		<b>2014</b>	
	(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) <b>Total Revenue Requirement</b>	<b>557,287</b>	<b>100.0%</b>	<b>574,529</b>	<b>100.0%</b>	<b>599,020</b>	<b>100.0%</b>	<b>625,698</b>	<b>100.0%</b>	<b>652,761</b>	<b>100.0%</b>
<b>Offsets</b>										
(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		371		0		0		0	
(16) 2010 Forecasted Network True-up	6,899		(7,069)		0		0		0	
(17) <b>Network Billed Revenue</b>	<b>500,785</b>		<b>499,506</b>		<b>519,866</b>		<b>541,973</b>		<b>565,382</b>	
(18) <b>2010 Budget Presentation (10/2009)</b>	<b>500,785</b>		<b>514,039</b>		<b>525,313</b>		<b>548,028</b>			
(19) <b>Annual % Increase (Current Fcst)</b>	12.5%		-0.3%		4.1%		4.3%		4.3%	
(20) <b>CapEx</b>	218,400		252,071		271,377		252,113		219,684	
(21) <b>% Increase Related to Capital Program</b>	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

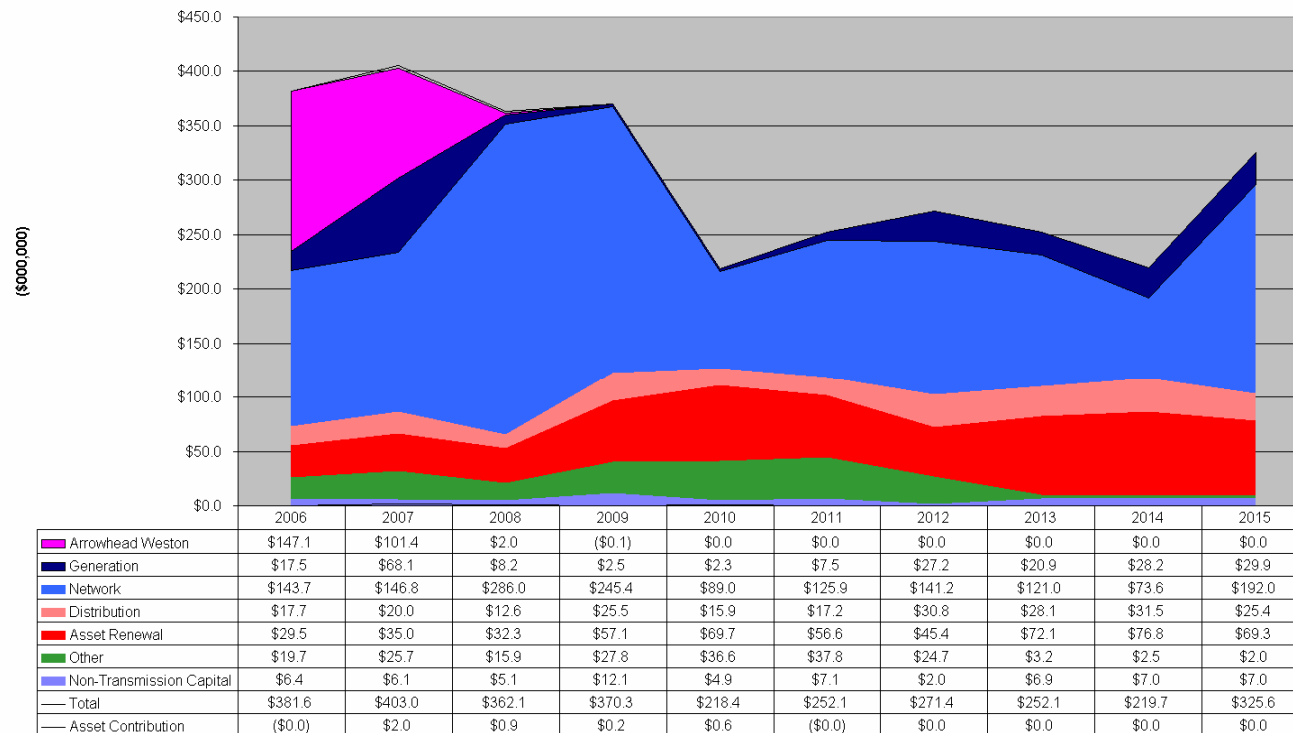
	[A]	[B]	[C]	[D]	[E]	[F]
	Project	2011 \$ (Millions)	Total Project \$ (Millions)	Reason	2011 Status (at 1/1/11)	Key Benefits
1	Rockdale - West Middleton	76.2	195.7	Network	Engineering	NERC Compliance Reduce System Losses Improve Operating Flexibility
2	Canal - Dunn Rd	14.3	22.2	Network	Engineering	Maintain 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 \$252.1 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

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