



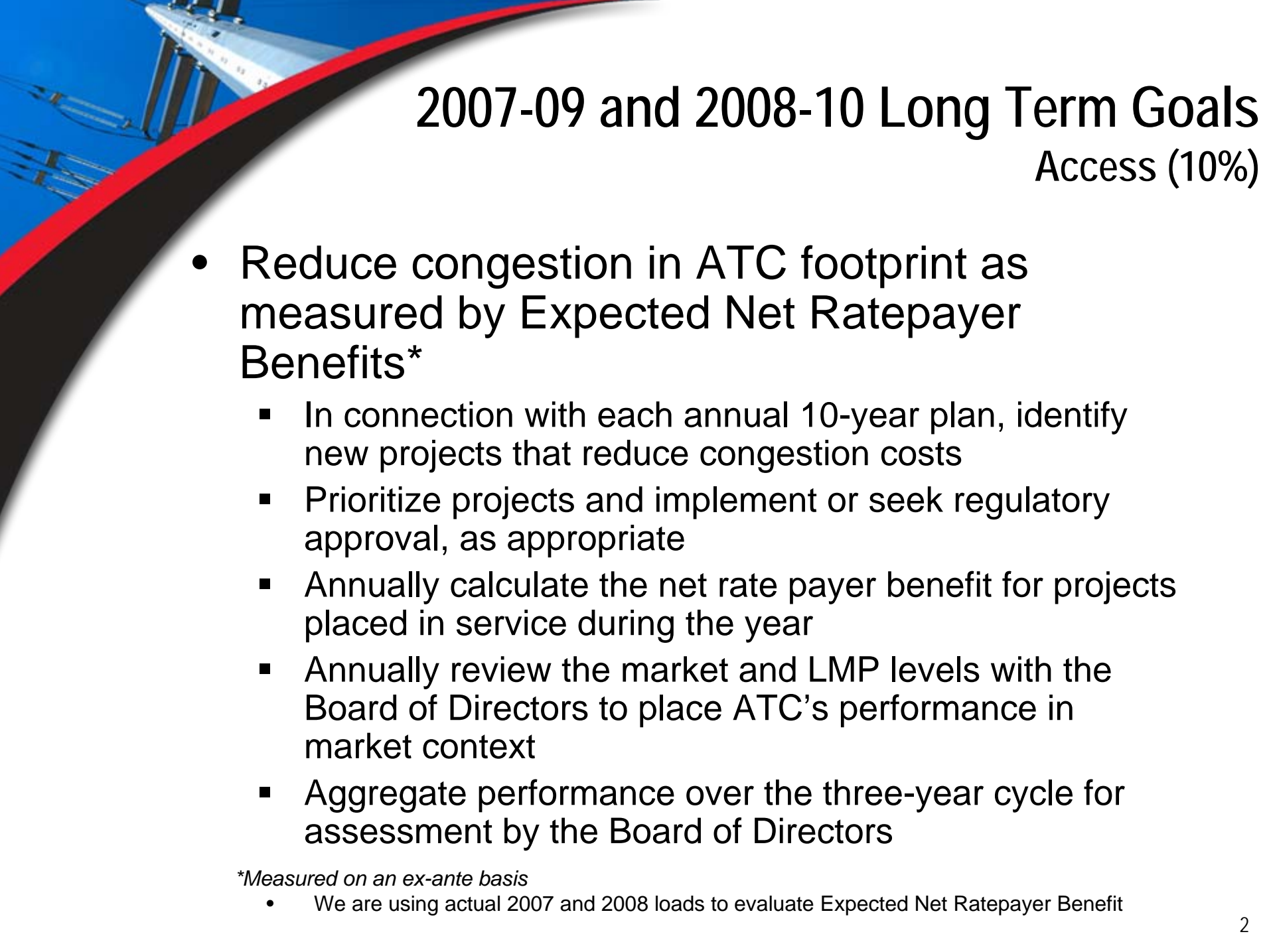
2007-09

2008-10

Long Term Access Goal Update

ATC Board of Directors Meeting
February 26, 2009





2007-09 and 2008-10 Long Term Goals

Access (10%)

- Reduce congestion in ATC footprint as measured by Expected Net Ratepayer Benefits*
 - In connection with each annual 10-year plan, identify new projects that reduce congestion costs
 - Prioritize projects and implement or seek regulatory approval, as appropriate
 - Annually calculate the net rate payer benefit for projects placed in service during the year
 - Annually review the market and LMP levels with the Board of Directors to place ATC's performance in market context
 - Aggregate performance over the three-year cycle for assessment by the Board of Directors

**Measured on an ex-ante basis*

- We are using actual 2007 and 2008 loads to evaluate Expected Net Ratepayer Benefit

Long Term Access Goal 2008 Progress

(i) Identify New Projects	7 Projects Identified				
	4 Under Analysis				
	3 Moving Forward				
(ii) Prioritize, Authorize and Construct	Paddock to Rockdale 345kV				
	Concord Capacitor Bank (deferred)				
(iii) Calculate Net Ratepayer Benefit for Completed Projects	Annual Savings	Present Value of Annual Savings	Present Value of Project Costs	% of Cost Offset by Savings	
	11 Projects Completed in 2008	\$14 Million	\$246 Million	\$614 Million	40%
(iv) LMP and Market Constraints Performance	2005	2006	2007	2008	
	LMP Summary (ATC Compared to Neighboring Hubs)	\$10.56 (20.0%)	\$3.22 (7.2%)	\$3.89 (7.7%)	\$2.64 (5.2%)
	Top Ten Congested ATC Elements (2007)	4 of the Top Ten 2007 Constraints addressed in 2008			
	Top Ten Congested ATC Elements (2008)	8 of the Top Ten 2008 Constraints will be addressed by budgeted projects			
	ATC System Energy Flows	Actual Western Interface Flows		- Maximum Import Level Increased 29%	
				- Maximum Export Level Increased 73%	



Summary

- ATC is making progress on Long Term Access Goal
 - Large projects underway
 - Smaller high value projects being identified
- ATC is helping to drive
 - Congestion costs **down**
 - Operational flexibility **up**
 - Transfer capability **up**
 - Especially the Western Interface



Project Process Pipeline

For Economics of Transmission Projects



Bain – Zion 345kV
North La Crosse – Cardinal 345kV
Lore – Cardinal 345kV
Pt Beach – Sheboygan 345kV
Monroe County-Council Creek
UP Energy Collaborative
Ten Year Assessment Projects
 • Sunset Point Transformers
 • Castle Rock – McKenna 69kV

Concord Cap Bank (Deferred)
Paddock-Rockdale
 Gardner Park-Hwy 22
 Morgan-Werner West
 Rockdale-West Middleton

X-19 Portage-Trienda 138kV uprate
 N.Appleton-White Clay 138kV uprate
 Empire-Forsyth 138kV uprate
 Saukville-St Lawrence 138kV rebuild
 N Appleton-Mason 138kV uprate
 N Appleton-Lost Dauphin 138kV uprate
 Dodge Cty. Transmission system upgrades
 Arrowhead-Gardner Park 345kV
 Add 138/69kV transformer at Menominee
N. Appleton-Fox River 345kV uprate
 Kelly-Whitcomb 115kV rebuild

Expected Net Ratepayer Benefit
 LMP Differentials
 Constraint Value Metric
 Top Ten Constrained Elements

Identify & Analyze

Approval or Under Construction

In – Service (2008)
 (Evaluate Results & Benefits)

Market Impacts

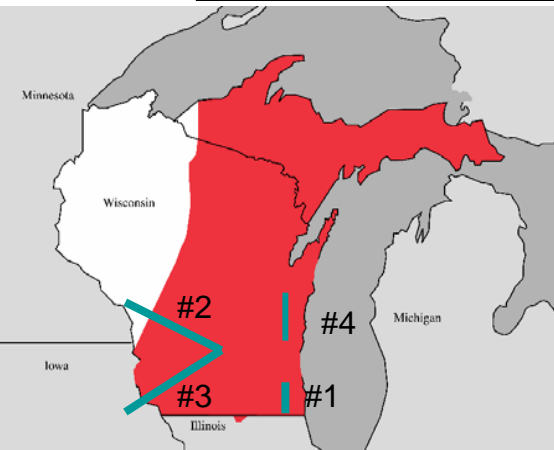
Key
 Red – Economic Transmission Projects
 Purple - Reliability and Economic
 Blue – Reliability Transmission Projects

Analyze New Projects

Preliminary Results

Projects	Present Value of Cost	Present Value of Savings	
			(Millions of \$)
#1	Bain - Zion 345kV	~\$22	~(\$800) to \$150 Costs ATC Ratepayers in 5 of 6 Futures
#2	North La Crosse - Cardinal 345kV	~\$600	~\$100 to \$1,200 Pays for itself in 4 of 6 Futures
#3	Lore - Cardinal 345kV	~\$400	~(\$600) to \$850 Pays for itself in only 1 of 6 Futures

#4	Point Beach – Sheboygan Falls	Initial analysis underway
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Identify New Projects

Reviewed all currently proposed Reliability Projects that have the potential to be accelerated

Reliability Project System Additions	Reliability Need Year	Preliminary Project Cost Estimate (2008\$) Millions	Levelized Annual Carrying Cost (2008\$) Millions	Single Year 70/30 Cost Savings for 2018 (2008\$) Millions
Sunset Point Substation Transformers	2018	\$3.8	\$0.5	\$0.8
Uprate Castle Rock-Mckenna 69-kV line uprate	2018	\$0.4	\$0.1	\$1.4

Monroe County – Council Creek proposed based on Reliability and Economics

Multi Need Project System Additions		Present Value of Cost (2007\$) Millions	Present Value of Savings (2007\$) Millions	Net Present Value (2007\$) Millions
Monroe County - Council Creek 161kV Line		\$27.4	\$72.8 to \$145.5	\$45.5 to \$117.7



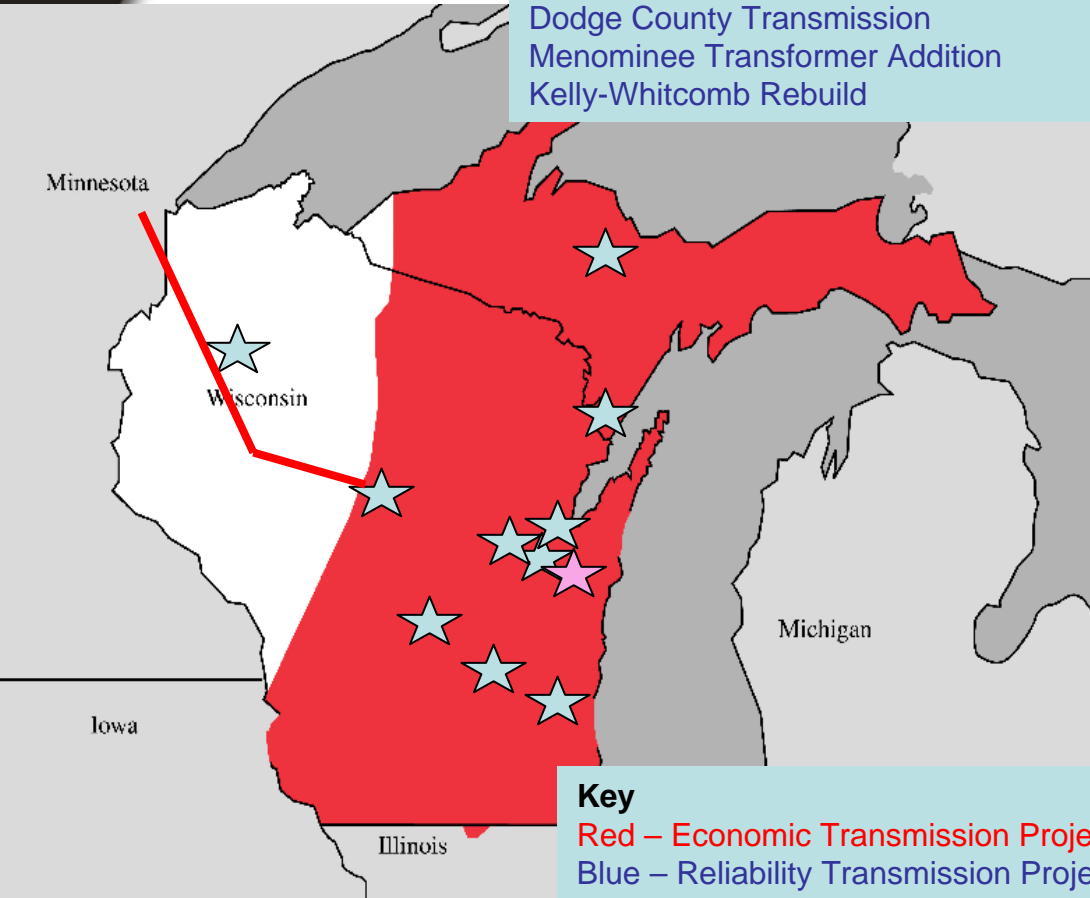
Approvals and Under Construction

- Paddock-Rockdale 345 kV
 - Under construction
 - Expected in-service date 2010
- Concord Capacitor Bank
 - \$3.4 Million project deferred
 - Re-dispatch option has 2:1 cost advantage over adding transmission assets

Net Ratepayer Benefit of In-Service Projects

2008 Projects Value \$14.4 Million

Arrowhead-Gardner Park
N.Appleton-White Clay
N.Appleton-Mason
N.Appleton-Lost Dauphin
N.Appleton-Fox River
Empire-Forsyth
Saukville-St.Lawrence
Portage-Trienda
Dodge County Transmission
Menominee Transformer Addition
Kelly-Whitcomb Rebuild



Key

Red – Economic Transmission Projects
Blue – Reliability Transmission Projects

- Projects were required for Reliability or justified by Economic Benefits
- Projects provided \$14.4 Million in 2008 due to reduced energy costs and losses
- Forecasting ongoing savings at the 2008 level, approximately 40% of project costs are offset
- Project costs = ~\$614 million



Net Ratepayer Benefit of In-Service Projects

	Annual Savings at Actual Loads (Millions)	% Offset of Project Costs (Actual Loads)	Annual Savings at Forecasted Loads (Millions)
2007 Projects	\$4.2	80%	\$12.3
2008 Projects	\$14.4	40%	\$16.2
Total	\$18.6*	-----	\$28.5

* \$18.6 Million toward \$35 Million Goal

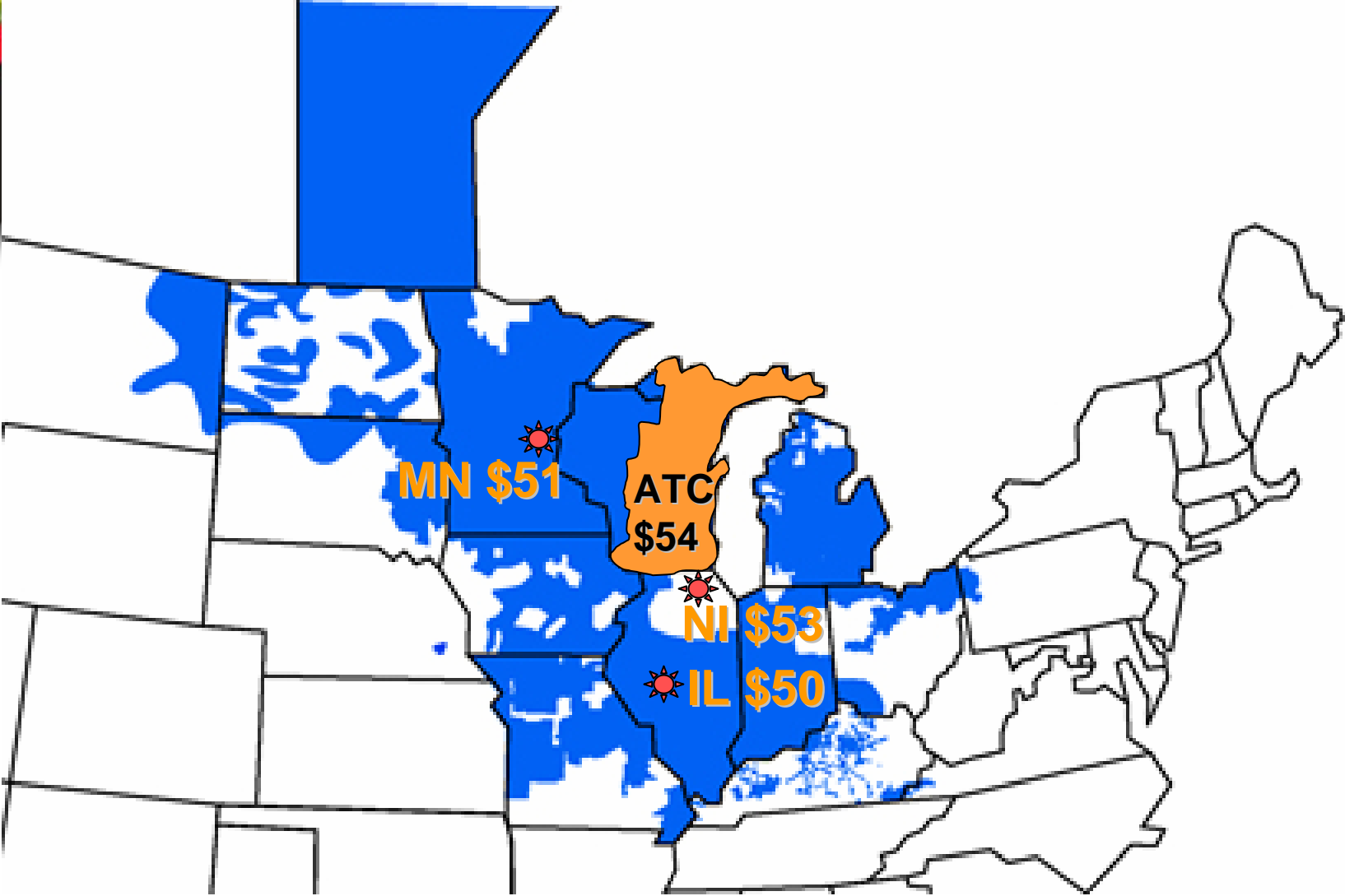


2008 Market Review

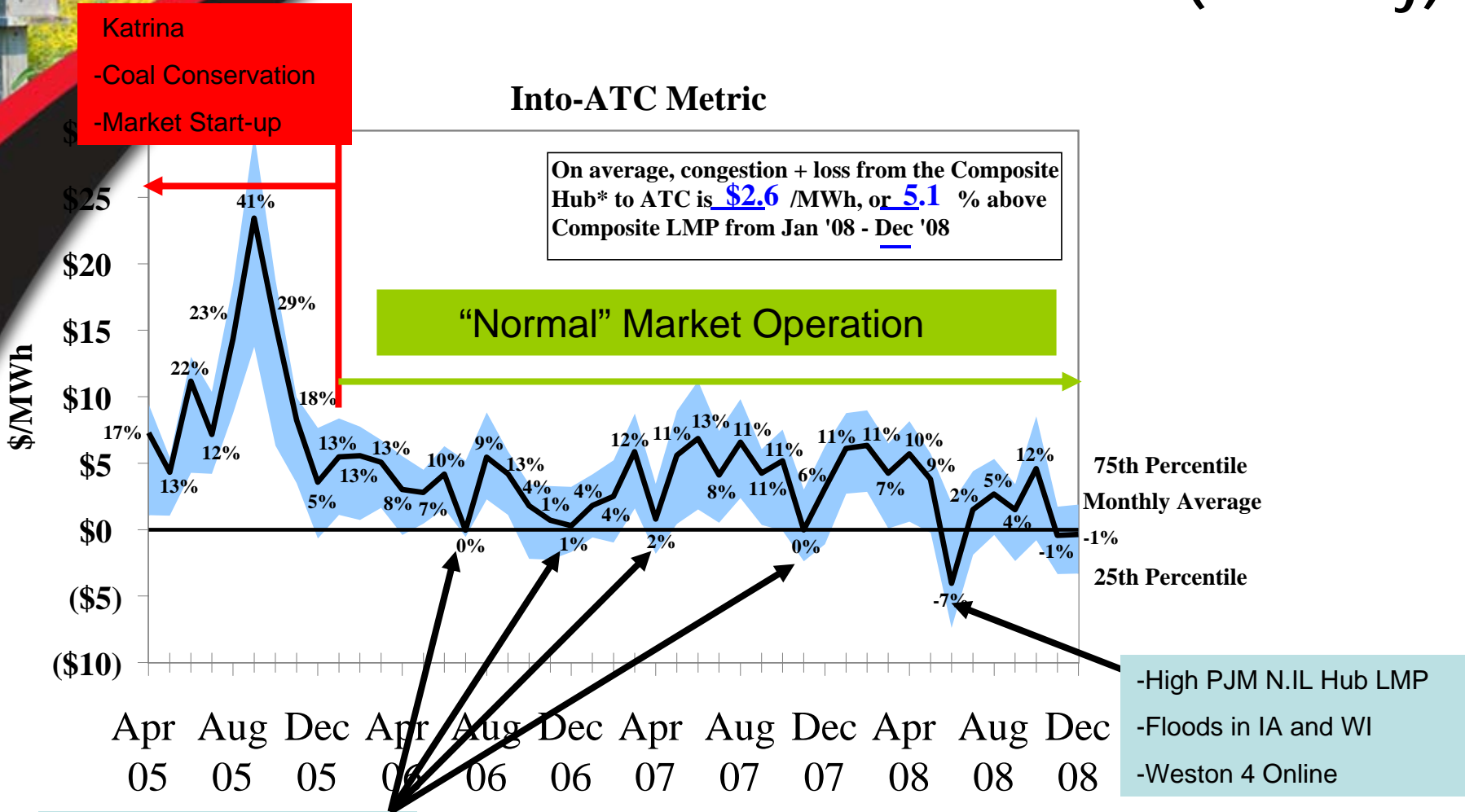
- Portfolio of metrics
 - LMP Differentials into ATC
 - Annual
 - Monthly
 - Constraints
 - Top ten constrained elements
 - ATC imports and exports

LMP Differentials Into ATC

Annual - 2008



Into-ATC Metric (monthly)



Driven by high LMP at the MN Hub

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2007 ATC Top Ten Congested Elements

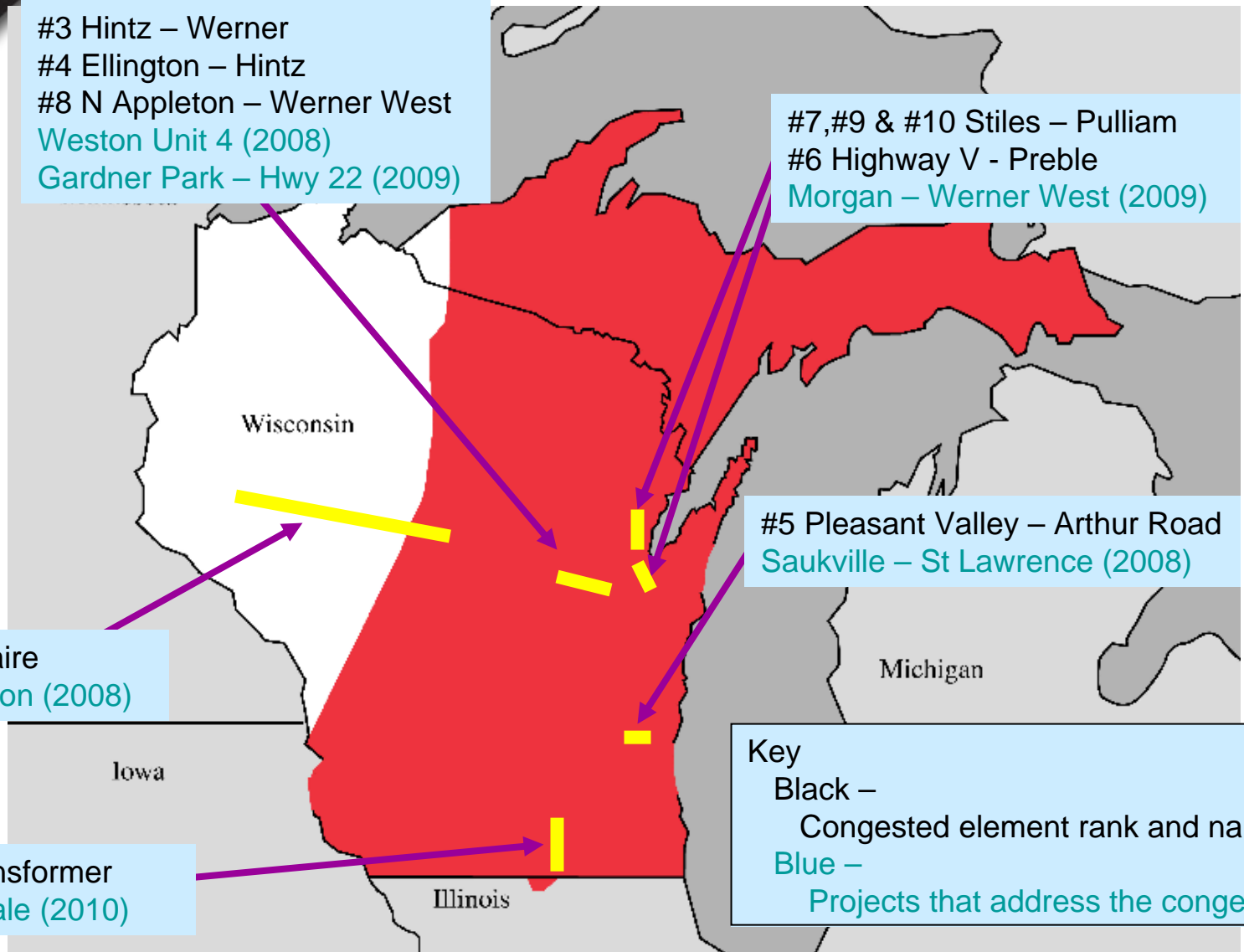
#3 Hintz – Werner
#4 Ellington – Hintz
#8 N Appleton – Werner West
Weston Unit 4 (2008)
Gardner Park – Hwy 22 (2009)

#7, #9 & #10 Stiles – Pulliam
#6 Highway V - Preble
Morgan – Werner West (2009)

#5 Pleasant Valley – Arthur Road
Saukville – St Lawrence (2008)

#2 Arpin – Eau Claire
Arrowhead – Weston (2008)

#1 Paddock Transformer
Paddock-Rockdale (2010)



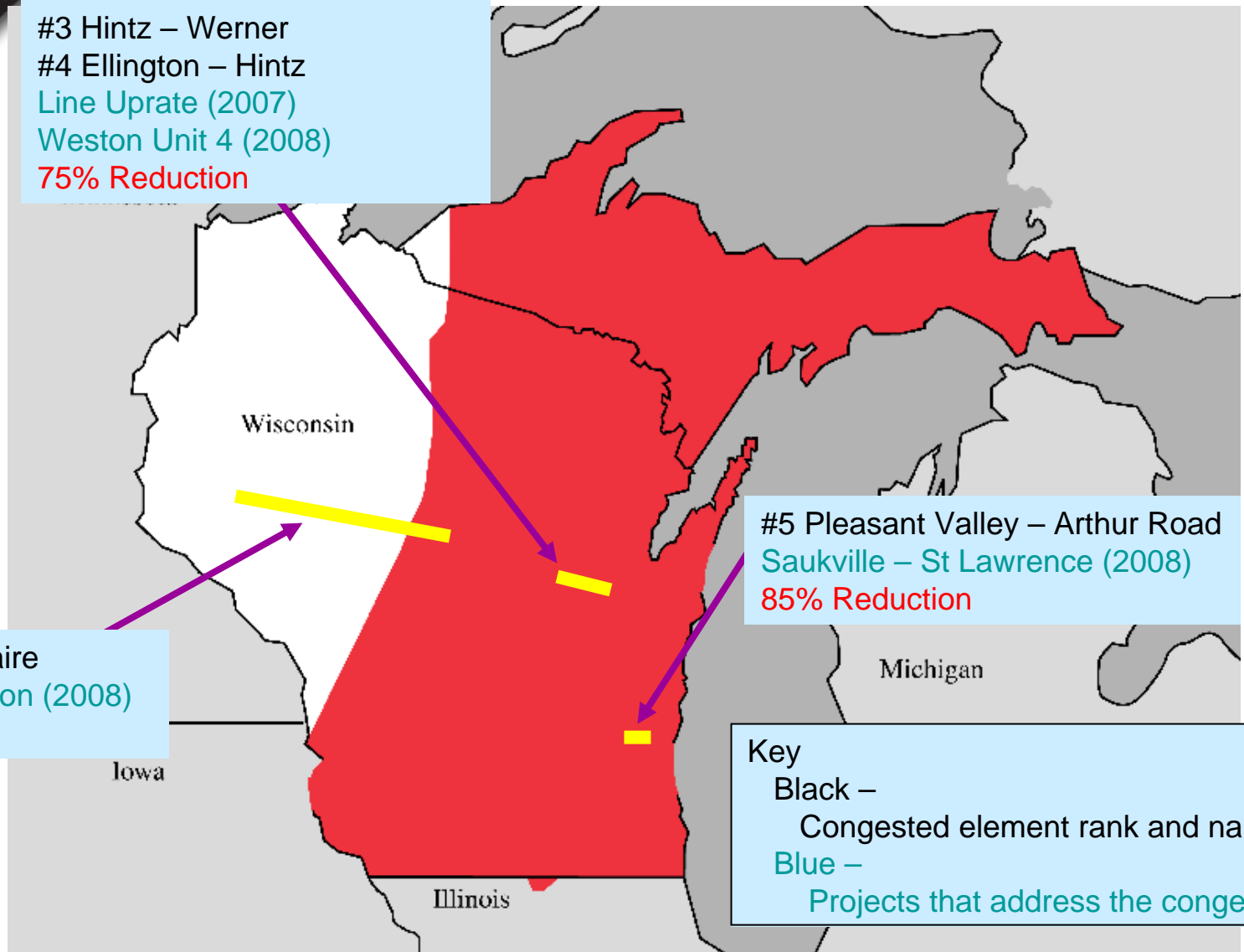
Congested Elements Success Stories in 2008



#3 Hintz – Werner
#4 Ellington – Hintz
Line Uprate (2007)
Weston Unit 4 (2008)
75% Reduction

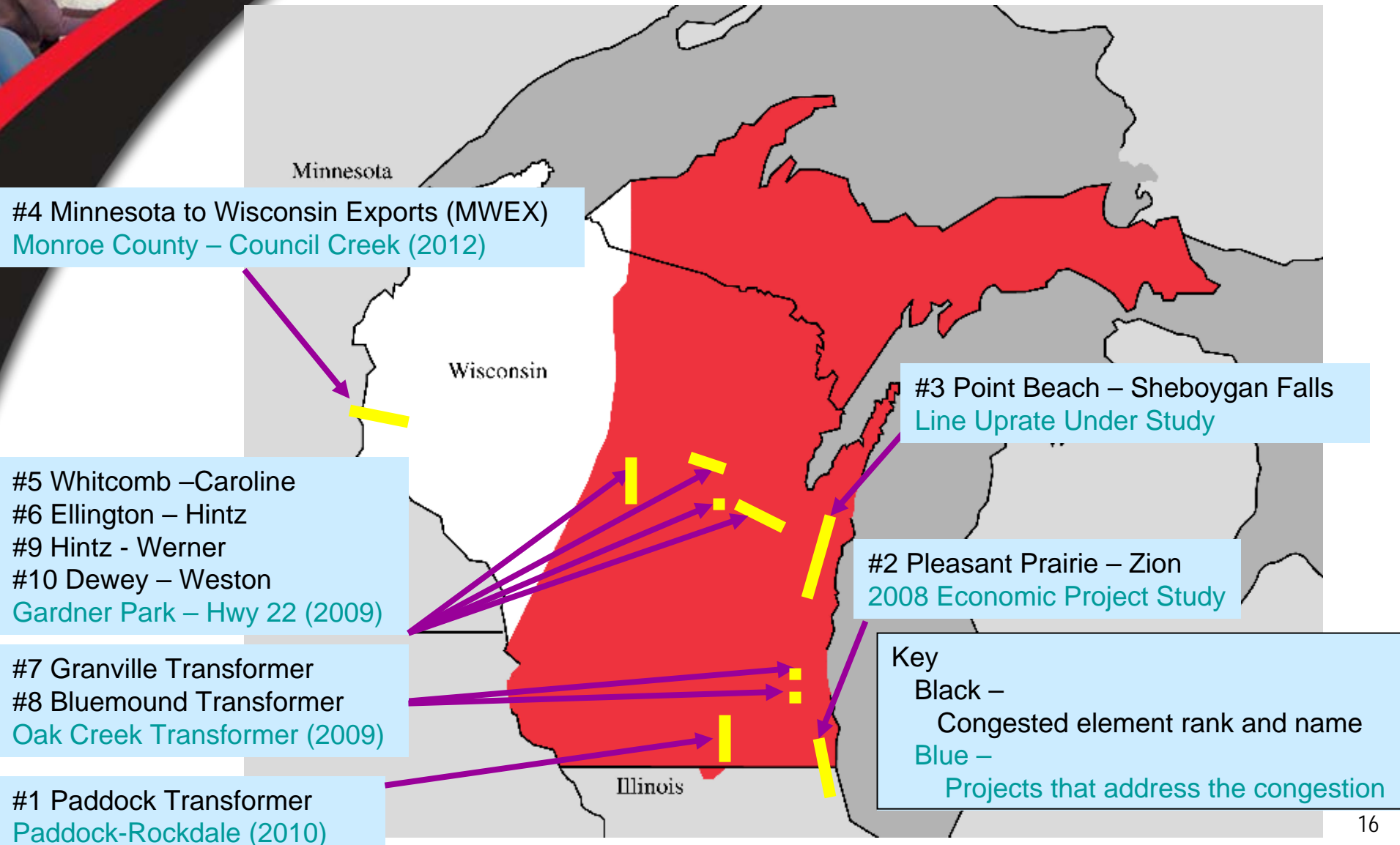
#5 Pleasant Valley – Arthur Road
Saukville – St Lawrence (2008)
85% Reduction

#2 Arpin – Eau Claire
Arrowhead – Weston (2008)
76% Reduction



Key
Black –
Congested element rank and name
Blue –
Projects that address the congestion

2008 ATC Top Ten Congested Elements





ATC Imports and Exports

January – December 2008

- Energy flows stay in ATC
- ATC was a net importer of energy 97% of the hours
- Flows increase to and from the West
 - Western Flow Gates
 - 1406 MW Import - 29% import increase
 - 804 MW Export - 73% export increase
- Flexibility across multiple futures is the key



Conclusions and Discussion

- Reliability projects have contributed significant economic benefit
- External LMP prices continue to be lower than LMPs within ATC
 - Difference is smaller
- ATC's current project portfolio is responsive to current constraints
 - Four of the top ten 2007 constrained elements ameliorated
 - Eight of the top ten congested elements in ATC will be substantially addressed by 2012
- Customers benefit from the removal of constraints whether importing or exporting