

Can't We All Just Get Along?

Multi-Value Projects

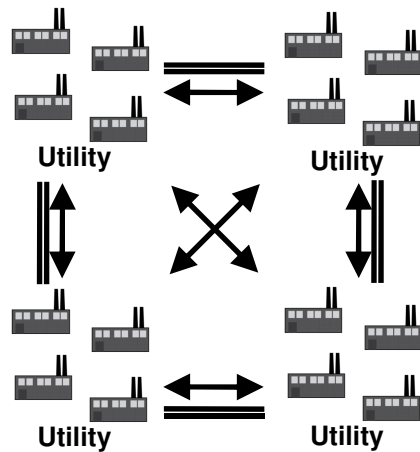
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June 6, 2011

Transmission Objective Function Varies Based on Construct

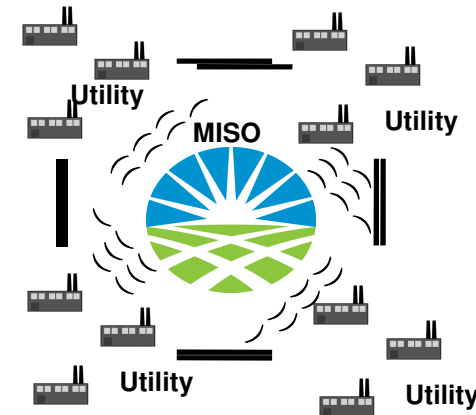
Pre-Market

- Match my generation to my load (decentralized unit commitment and dispatch)
- Value comes from a utility's own units
- Objective: Minimize cost of transmission investment



Post-Market

- Access generation in the market (centralized unit commitment and dispatch)
- Value comes from accessing cheaper generation
- Objective: Lowest wholesale energy cost



↔ = Transmission Lines

|| = Bilateral Agreements

MISO Planning Objectives

Fundamental Goal



The development of a comprehensive expansion plan that meets reliability needs, policy needs, and economic needs

MISO Board of Director Planning Principles*

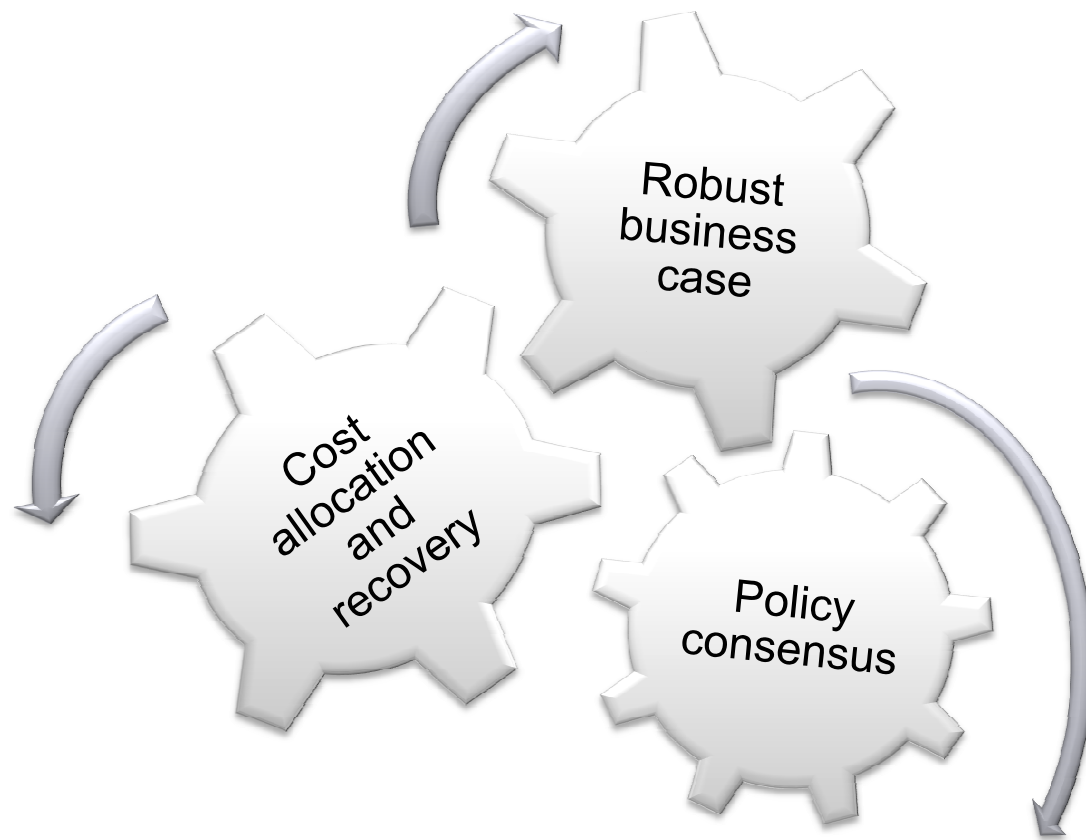


- **Make the benefits of an economically efficient energy market available to customers by providing access to the lowest electric energy costs**
- Provide a transmission infrastructure that safeguards local and regional reliability and supports interconnection-wide reliability
- Support state and federal energy policy objectives by planning for access to a changing resource mix
- Provide an appropriate cost mechanism that ensures the realization of benefits over time is commensurate with the allocation of costs
- Develop transmission system scenario models and make them available to state and federal energy policy makers to provide context and inform the choices they face



*As modified and approved by MISO Board of Directors System Planning Committee 5/16/2011; pending full board approval

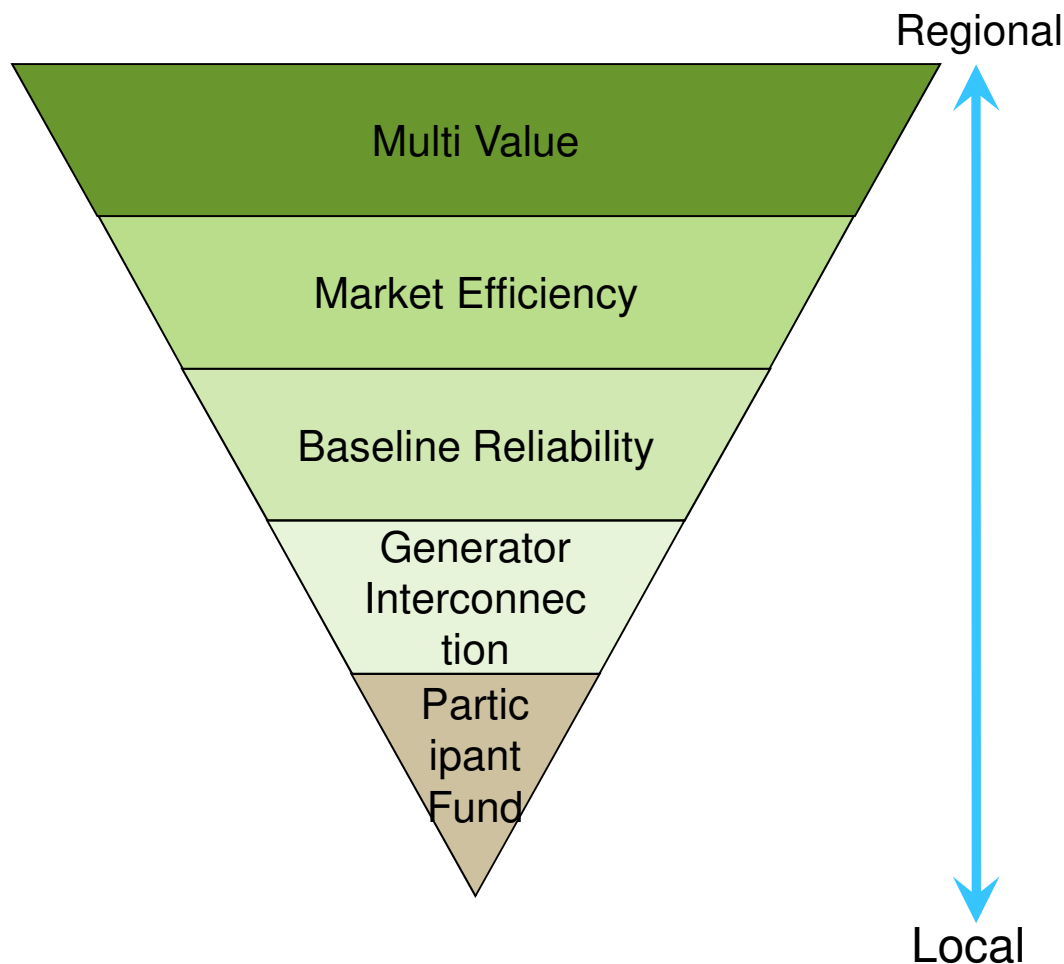
Conditions Precedent to Increased Transmission Build



Before transmission is built a number of conditions must be met

- Increased consensus on energy policies (current and future)
- A robust business case that demonstrates value sufficient to support the construction of the transmission project
- A regional tariff that matches who benefits with who pays over time
- Cost recovery mechanisms that reduce financial risk

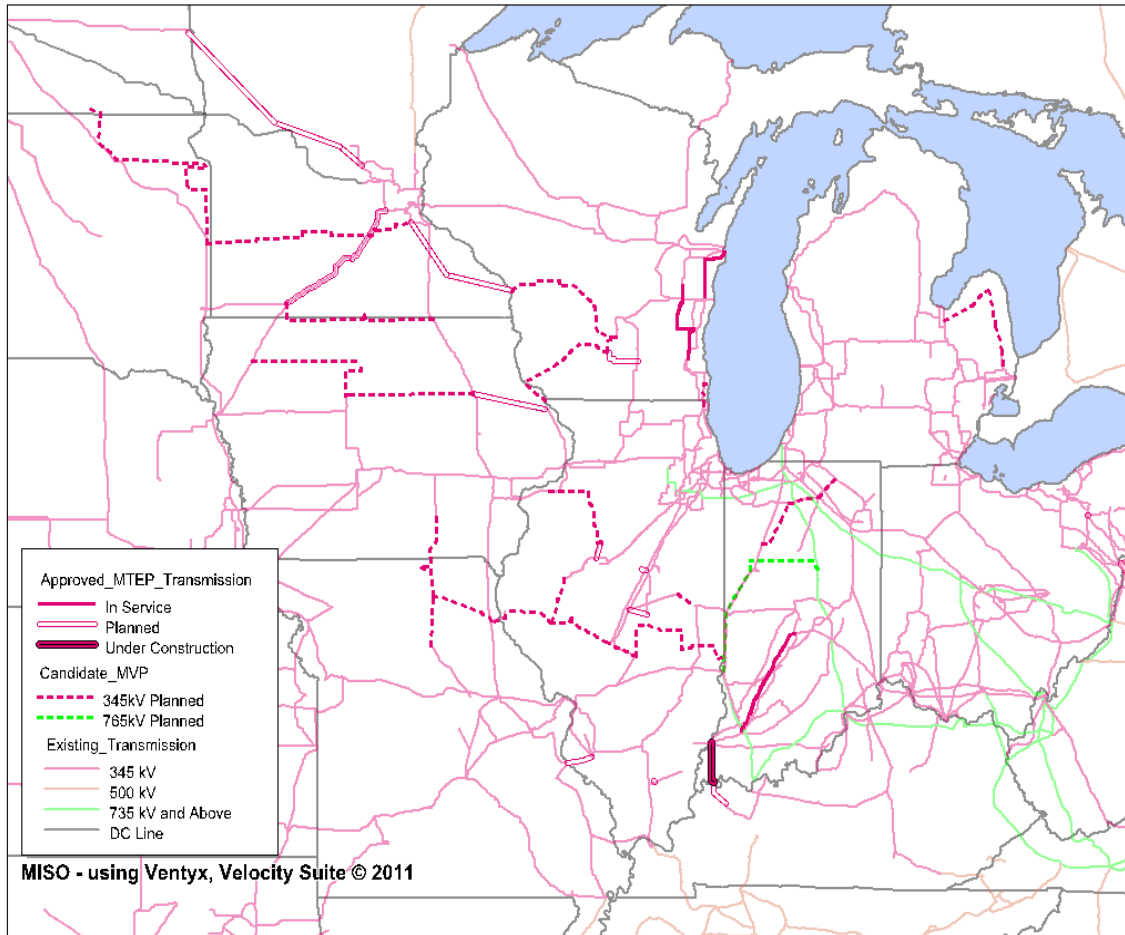
Planning and Cost Allocation are Inextricably Linked



Cost Allocation approach matches the business case (i.e. benefits) with the spread of dollars

- Benefits of Multi-Value Projects (MVPs) are spread regionally consistent with the widespread benefits from regional plan
- Economic benefits of Market Efficiency Projects spread farther beyond the local zone
- Reliability benefits of Baseline Reliability Projects primarily stay in the zone in which the reliability issue exists
- Generator Interconnection Projects paid primarily by Interconnection Customer
- Participant funded projects are paid by the party proposing the project

Candidate MVPs Enhance the Regional Nature of the Grid



- Candidate MVPs combined with the existing system and other planned projects increase transfer capability throughout the footprint, offering increased access to import and export power
- Aggregate of wind generation lowers prices across the footprint given sufficient transmission
- In addition to production cost savings, additional benefits will be realized
 - A more robust system improves reliability
 - Increasing transfer capability increases the size of the risk pool resulting in lower ancillary services costs and overall capacity costs