

Cost Allocation Update

Great Lakes Regional Wind Energy Institute

March 1, 2010

Background

- 2005 to present : Introduction of Renewable Portfolio Standards (currently ~23,000 MW)
- December 2008: Otter Tail Power (North Dakota) and Montana-Dakota Utilities send withdrawal notice
- January 2009: Organization of MISO states forms Cost Allocation and Regional Planning Workgroup (CARP) and Midwest ISO stakeholders form RECB Task Force
- July 2009: Midwest ISO files a solution deemed “interim” which shifts bulk of interconnection costs to the generator
- October 2009: FERC accepts filing and orders permanent solution filed by July 15, 2010
- December 2009: CARP endorses continuing to refine injection / withdrawal method RECB TF has a virtual tie on continuing to refine injection / withdrawal and supports a recommendation to pursue the highway/byway method in parallel

Objectives of New Methodology

- Eliminate / minimize free riders
- Ensure the “right” loads pay
- Reflect changing system usage over time
- Balance attributes of system use
 - Cost causer vs. beneficiary
 - Local vs. regional
 - Access (demand) vs. Usage (energy)



A fair cost allocation system to enable transmission development to support renewable integration, public policy, reliability and economic goals while maintaining the Midwest ISO Value Proposition

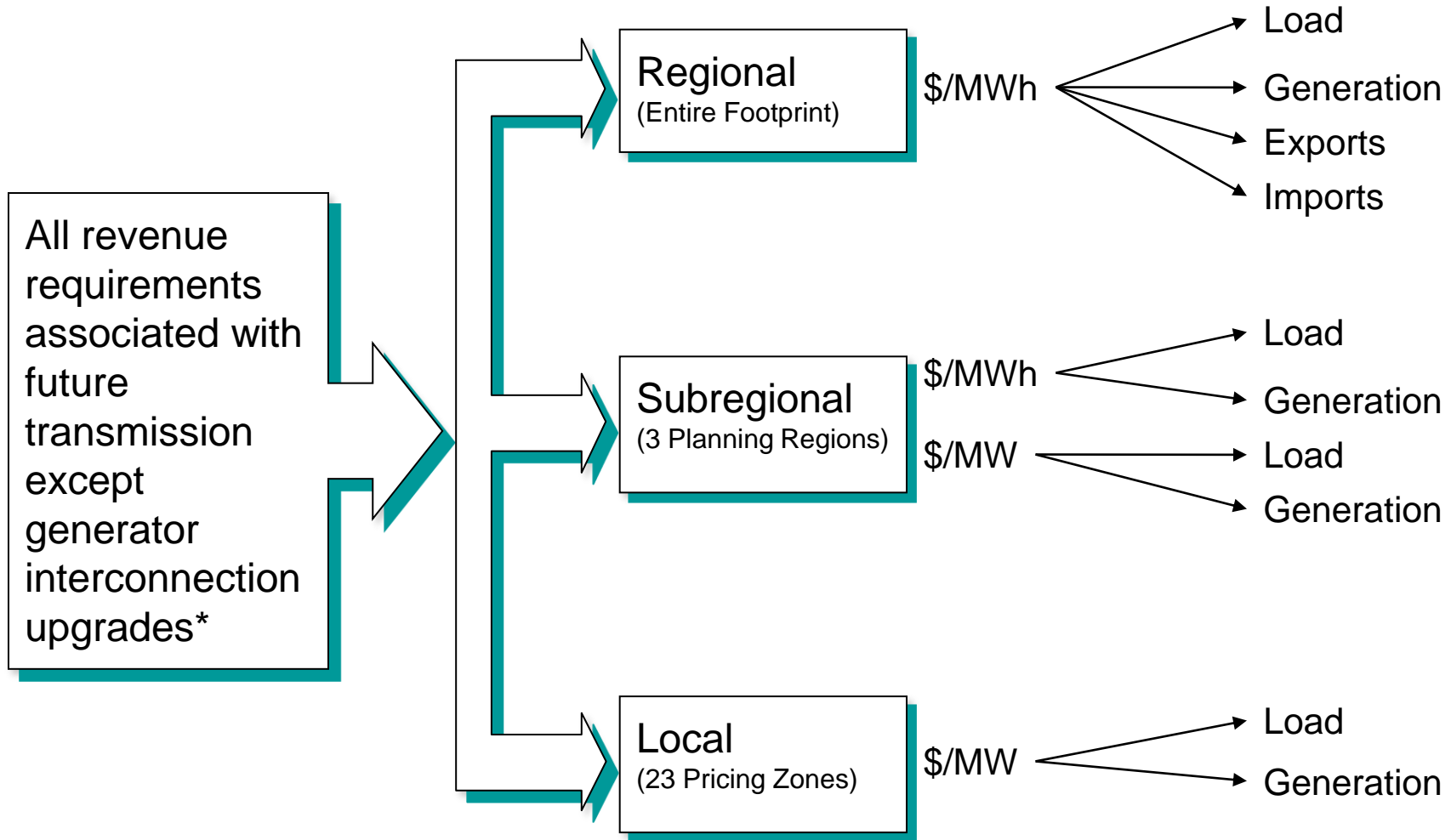
Injection / Withdrawal: A different way of thinking about it

- Hypothesis: Whoever uses the system is who benefits
 - Can define multiple use types to balance extremes (i.e. capacity vs. energy, regional vs. local, etc.) and better define which aspects of the system are being used

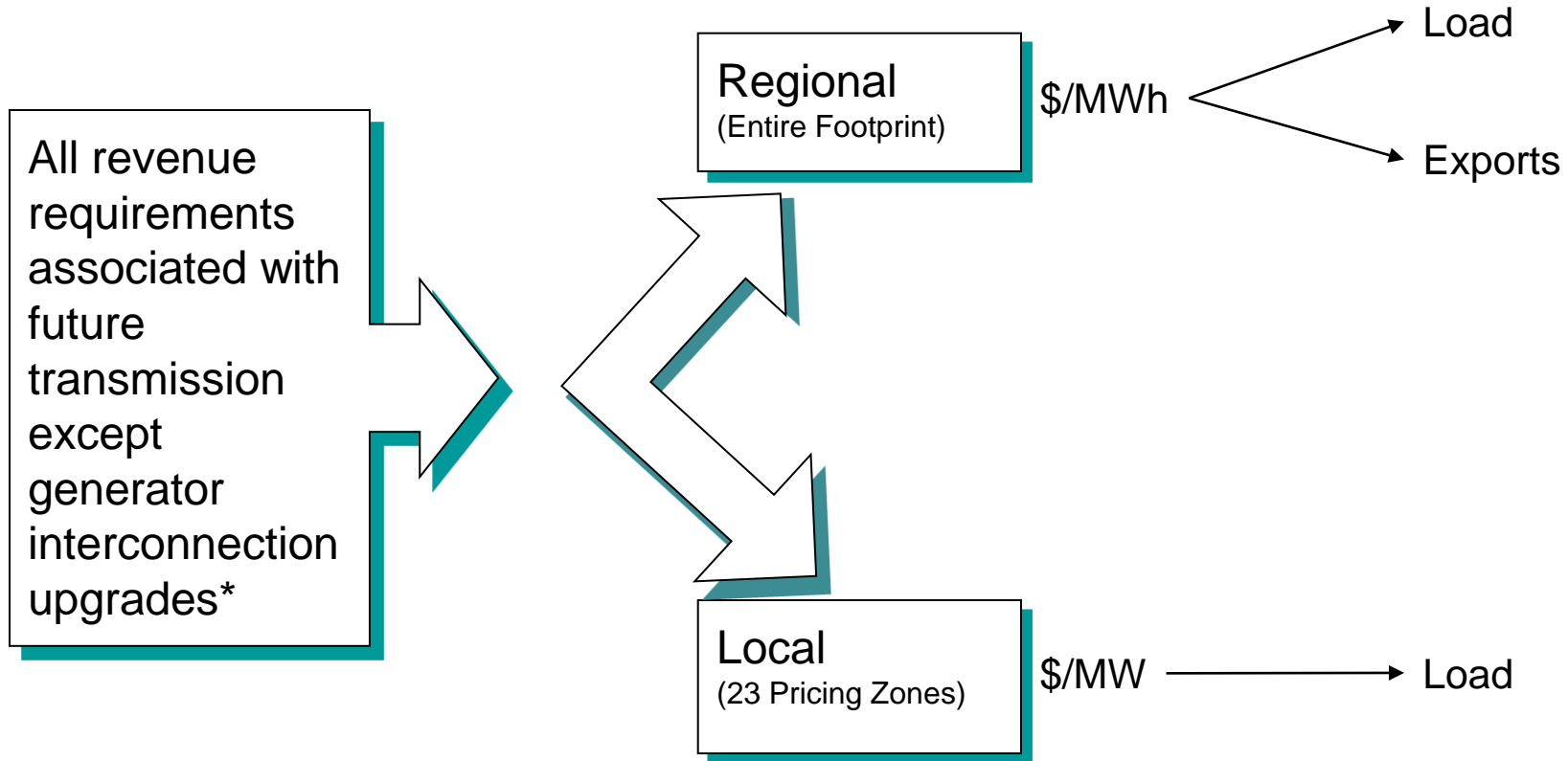
Possible Injection / Withdrawal Charges

	Capacity Based	Energy Based
Injection	Installed Capacity Transmission Reservation	Generation MWh Import MWh
Withdrawal	Peak Demand Transmission Reservation	Load MWh Export MWh

Injection / Withdrawal



Highway / Byway



Next Steps

- Complete market impact analysis
- Prepare comprehensive proposal
- Begin work on business rules and tariff