



# **Great Lakes Regional Wind Energy Institute Annual Meeting**

**March 1, 2010**

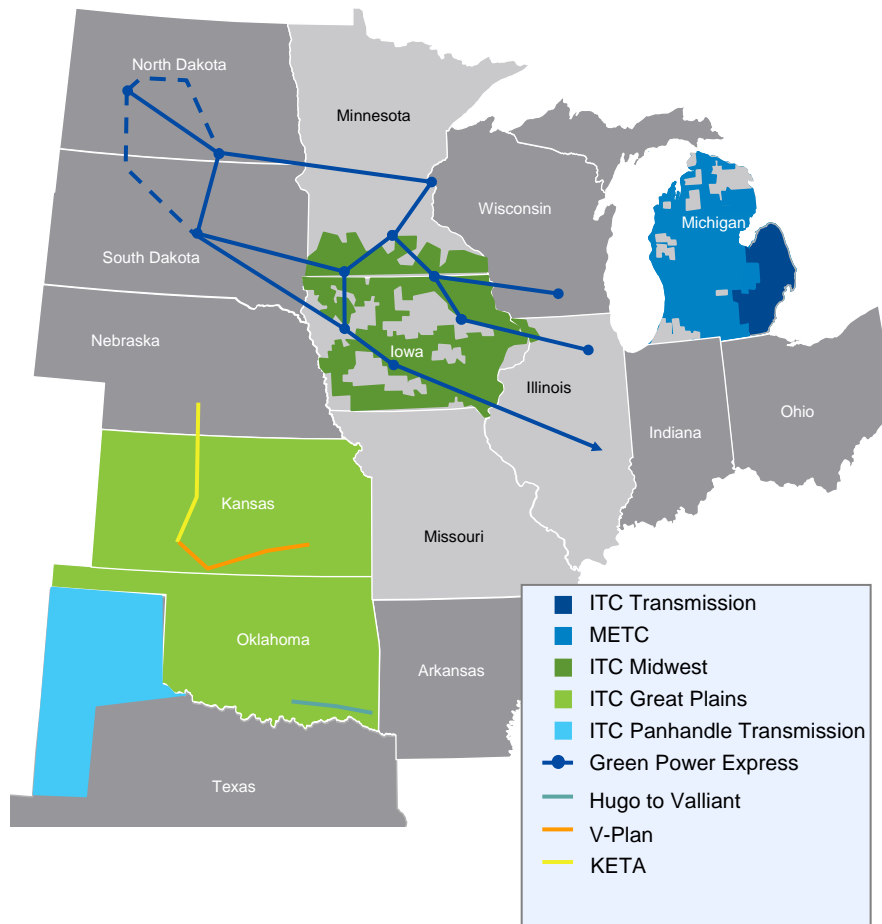


# Wind Power...



"FIRST, THE GOOD NEWS: WE'VE SHUT DOWN THE COAL-FIRED ELECTRIC POWER PLANT IN YOUR BACKYARD..."




# Who is ITC?



- ◆ ITC is the first fully independent transmission company in the U.S.
- ◆ ITC is the eighth largest transmission-owning company in the U.S.
- ◆ Transmission systems in Michigan's lower peninsula and portions of Iowa, Minnesota, Illinois and Missouri
  - Serves combined peak load in excess of 25,000 megawatts (MW)
  - Approximately 15,000 line miles
- ◆ Recently announced "Green Power Express" designed to facilitate the interconnection of 12,000 MW of wind in the Dakotas, Iowa and Minnesota to eastward population centers
- ◆ Also actively seeking opportunities to build, own, operate and maintain transmission in Kansas, Oklahoma and Texas (SPP region)
  - KETA, V-Plan, and Hugo to Valliant projects in advanced stages of development

# ITC System Statistics



<i>Subsidiary</i>	<i>ITC Transmission</i>	<i>METC</i>	<i>ITC Midwest</i>
<i>Service Area</i>			
<i>System Peak Load</i>	12,745 MW	9,469 MW	3,100+ MW
<i>Total Transmission Miles</i>	More than 2,700	Approximately 5,400	Approximately 6,800
<i>Membership</i>	Midwest ISO	Midwest ISO	Midwest ISO
<i>ITC Acquired Transmission Assets</i>	March 1, 2003	October 10, 2006	December 20, 2007
<i>Capital Invested Since Acquisition (through 2009YE)</i>	\$ 828 million	\$ 333 million	\$ 293 million
<i>Projected Capital Spending 2010 through 2014</i>	\$ 444 million	\$ 735 million	\$ 1,151 million

# Transmission is Our Only Business



## ◆ ITC is an independent transmission company

- Independence means no affiliation with a market participant (generator, retailer, marketer, etc)
  - The company, its employees and their immediate family members do not hold any market participant investments
- Operate in an open, non-discriminatory manner
- Only independent transmission company in the country

## ◆ ITC is singularly focused on transmission - we own, operate, maintain, and construct transmission facilities.

- There is no internal competition for capital – it is dedicated for prudent transmission investment.

## ◆ Customers benefit from transmission investment

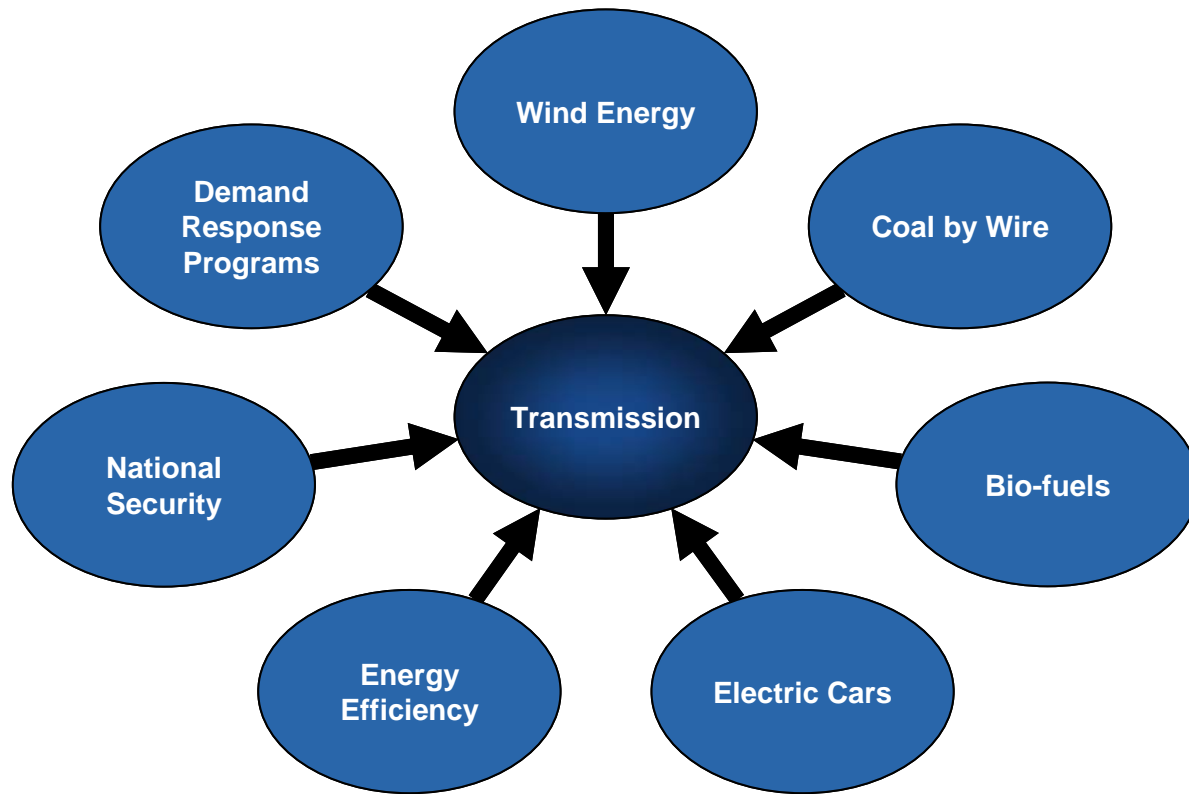
- Improved reliability
- Reduced congestion
- Increased access to generation resources

# ITC's Continued Focus and Efforts Development



- ◆ Development efforts begun in 2006 matured to result in three projects now moving to “advanced projects” stage
  - *Hugo to Valliant*. Moved to pre-construction phase
  - *KETA Project*. Phase 1 moved to pre-construction phase
    - Phase 2 state approvals to be sought in 2010
  - *V-Plan Project*. KCC granted authority to own and operate facility after contentious litigation
    - Project remains part of SPP planning process
- ◆ Forward looking formula rate established for ITC Great Plains
  - FERC approved rate allows for recovery of ITC Great Plains investments and expenses
- ◆ ITC Great Plains secured ownership of two stations in Kansas
- ◆ Green Power Express project launched
  - Design for project to access renewable resources in Upper Midwest completed
  - Application for rate incentives filed and approved at FERC
  - Significant challenges remain

# Transmission is Critical Link

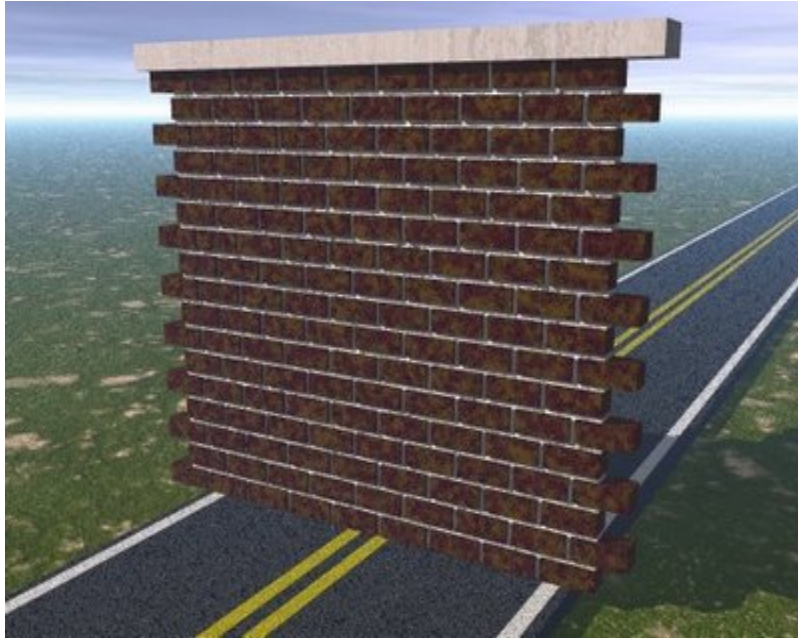


*Transmission is at the center of the energy debate; it is the critical link to many of the energy policy visions. Yet, many barriers remain.*





# Impediments to Regional Transmission

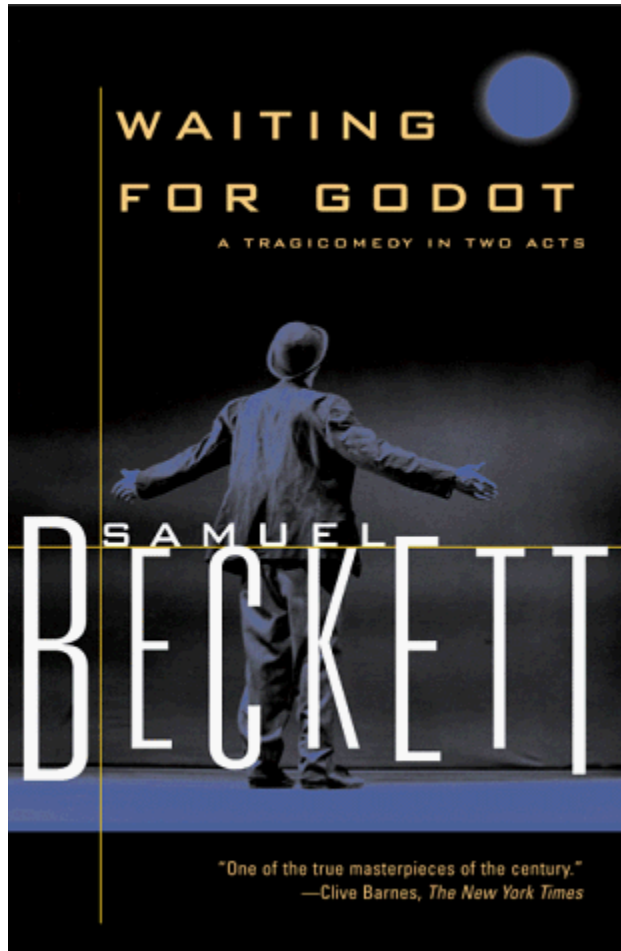


- ◆ Parochialism caused by vertically integrated utilities and state regulation
- ◆ Lack of collective industry vision
- ◆ Influence of market participants
- ◆ Fallacy of generation vs. transmission debate
- ◆ Local opposition / NIMBY challenges
- ◆ Disagreement as to who should pay for regional projects
- ◆ Voluntary nature of RTO membership / influence of members and stakeholders on regional planning within RTO

***All of these issues are interrelated and stem from the lack of a national energy policy and legislation that addresses regional planning, cost allocation and siting.***

# Waiting for Godot: A Tragicomedy in Two Acts

## Samuel Beckett



- ◆ Tragicomedy in two acts by Samuel Beckett, published in 1952 in French as *En attendant Godot* and first produced in 1953.
- ◆ The play consists of conversations between Vladimir and Estragon, who are waiting for the arrival of the mysterious Godot, who continually sends word that he will appear but never does.
- ◆ They encounter Lucky and Pozzo, they discuss their miseries and their lots in life, they consider hanging themselves, and yet they wait.
- ◆ Often perceived as being tramps, Vladimir and Estragon are a pair of human beings who do not know why they were put on earth; they make the tenuous assumption that there must be some point to their existence, and they look to Godot for enlightenment.
- ◆ Because they hold out hope for meaning and direction, they acquire a kind of nobility that enables them to rise above their futile existence.
- ◆ "[*Waiting for Godot*] has achieved a theoretical impossibility – a play in which nothing happens, that yet keeps audiences glued to their seats. What's more, since the second act is a subtly different reprise of the first, he has written a play in which nothing happens, twice." – Vivian Mercier

# Waiting for Godot: A Tragicomedy in Two (Three?) Acts



- ◆ **Independent Regional Planning:** To ensure that needed transmission is planned in the most cost effective manner, building on existing plans and processes while avoiding duplication, legislation should:
  - direct the FERC to approve one or more qualified planning entities in each Interconnection;
  - ensure the process builds on planning already undertaken by RTOs, utilities, states and multistate organizations;
  - require that planning entities be independent and that their activities be conducted in an open, transparent and non-discriminatory manner; and
  - authorize FERC to conduct the necessary regional or interconnection-wide planning if the Commission does not receive applications from qualifying entities within time frames specified.
  
- ◆ Independence – preventing market participants from exerting undue influence in the planning process – requires that the function be mandatory and it be funded through an assessment, (similar to the funding system for NERC), not via voluntary dues as done today.

# Waiting for Godot: A Tragicomedy in Two (Three?) Acts



- ◆ **Cost Allocation:** Federal legislation must address the issue of cost allocation.
  - EHV transmission lines are inherently regional in nature and they confer significant regional as well as local benefits.
    - If encouraging the development of location-constrained renewable resources is a national priority, as ITC believes it is, there are national benefits associated with the development of these resources.
    - Since the benefits of EHV lines extend well beyond the states in which they are located, their costs should be widely allocated as well.
  - The lack of cost allocation and differing cost allocation rules for different project drivers (e.g., reliability vs. economic) are blocking rational transmission planning and construction.
    - The FERC should require that cost allocation methods be harmonized for all transmission investment regardless of primary driver.
  - Different RTOs have sought and received distinct cost allocation methods for similar projects. This is largely influenced by the role of stakeholders in the individual RTOs.
  - Some methods create artificially high hurdles for regional cost recovery.
    - For example, the Midwest ISO RECB II method calls for a 3-to-1 benefit ratio.
- ◆ FERC should be given the authority to allocate the costs of these facilities either on a regional or Interconnection-wide basis.

# Waiting for Godot: A Tragicomedy in Two (Three?) Acts



- ◆ **Federal Transmission Siting Authority:** States are best situated to make optimum routing decisions and the process is more likely to be cooperative if states maintain a leadership role.
  - FERC should be given new authority under the Federal Power Act to certify interstate transmission facilities needed to support regional electricity markets and delivery of renewable resources to load centers that are identified through the new planning process on the basis of public convenience and necessity.
  - Once an applicant has received a certificate of public convenience and necessity from the Commission, it would constitute sufficient evidence of public need and no additional state or other approvals would be required.
  - Projects not identified in the new planning process would remain subject to existing processes for need determination.
- ◆ States should retain the ability to do the actual routing of these certificated facilities, with a FERC backstop authority if the state does not act in a timely manner, or acts in a manner that makes the certificated facilities either physically or economically impractical to construct.

# Transmission Expansion Conclusions



- ◆ Transmission needs to be a market enabler and not just a necessary means to deliver bulk power from central generators to load centers – transmission expansion is a must!
- ◆ We need to continue to address the economic project process from a public policy perspective
  - Economic projects should be treated no different than reliability projects for cost allocation or pricing since there is no such thing as a purely economic project
- ◆ Regional transmission expansion needs regional siting and it is time to promote FERC siting for such projects
- ◆ The time for change is now if we truly want to be in the national forefront for wind energy and a robust transmission system
- ◆ Industry, regulators, and policymakers must move towards encouraging independence, regional planning, and regional pricing as a means to provide a robust transmission system that enhances customer service and reliability
- ◆ Transmission is environmentally friendly which helps overcome “not in my backyard” syndrome

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