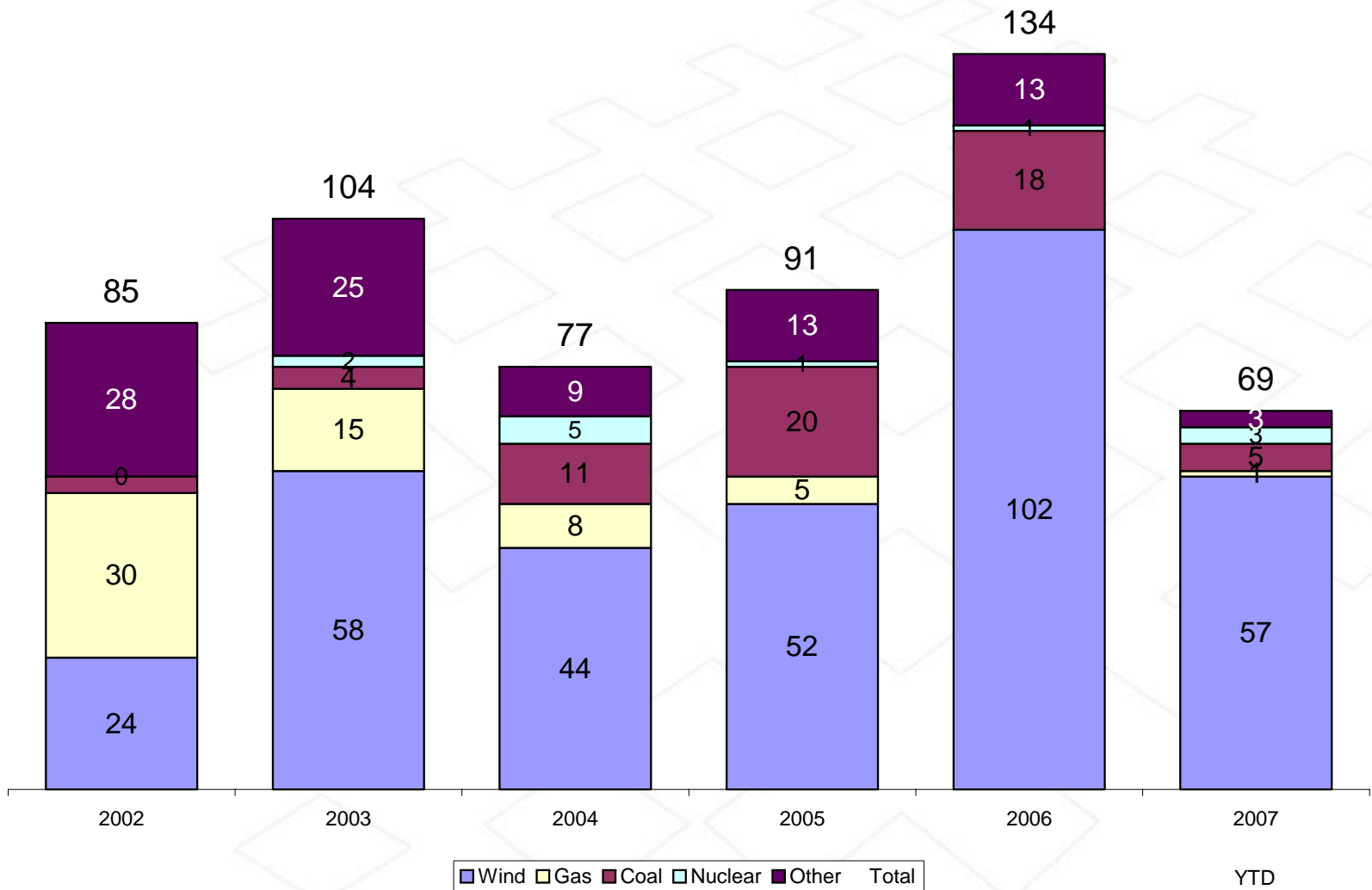




Proposed Modifications to Generation Interconnect Queue Process

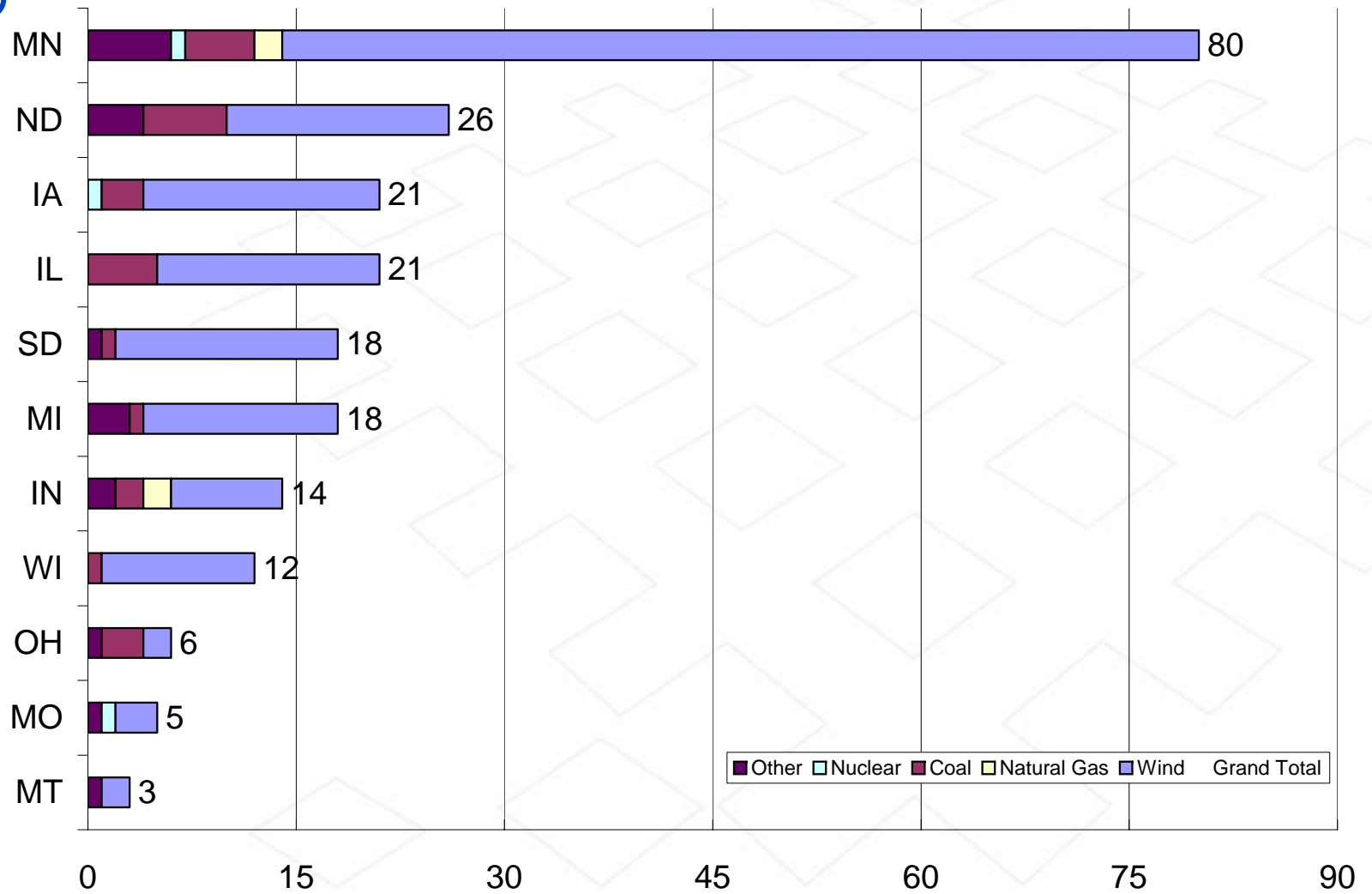
○ June 19, 2007

Evolution of the Queue *



*All requests received as of May 1, 2007

Active Projects by State*



* Active Queue as of May 1, 2007

Queue Characteristics Have Changed Since Process Design

- Numerous, relatively large, proposed generation projects located a great distance (200-600 miles) from load centers
- Projects located in remote areas require significant transmission upgrades (i.e. expensive to implement)
- Many proposed projects driven by Renewable Portfolio Standards, but do not have certainty around end-user payment (e.g. no PPAs) to support large transmission investment
- Net effect is requestors withdraw (and may re-enter) queue, leading to further delays for projects further down in the queue



Queue process works as designed.
Design no longer works.

Proposal

- Identify an additional interconnection project type: Regionally Planned Generation Interconnect Project (RPGIP)
 - Designed to aggregate needs of multiple smaller projects; resulting project capacity is greater than any single generator interconnect would require
 - Applies the project cost applicable to generation developers to all generators who will use to the line rather than just the first
 - Funded up front by any interested party (Sponsor): Load-serving entity, developer, transmission owner, etc.

Proposed Mechanics

- Utilize the Midwest ISO 2008 MTEP long-range planning process to estimate upgrade capacity and preliminary costs
- Sponsor will nominate interconnection amounts required for a 20 year horizon
 - Adjustments will be made to original upgrade size estimate based on nomination results
 - Adjustments will be permitted to the nominations based on material changes to cost estimates
- Load-serving entities or other investors will subscribe to the project, thereby funding the portion of the transmission line cost applicable to the generators
- As additional generators come on-line, they will pay their pro-rata share of the total cost applicable to generators

Expected Outcomes

- More efficient transmission build through reduction in incremental investment to satisfy minimal need and/or reduction in rebuild requirements
- Reduced re-study time due to elimination of redundant or superfluous requests
- Flexible enough to support all fuel sources (not just renewables)
- Better integration of long-term (MTEP) and short-term (Interconnection Queue) processes through utilization of integrated multi-year plan to determine capacity requirements

Critical Success Factors

- Subscription by Load Serving Entities of long-term procurement levels (~20 years) to eliminate need to conduct same process in similar regional area within a short time horizon (5-10 years)
- Generators representing some threshold capacity level (tentatively 50%) sign interconnection agreements in the first wave to ensure reasonable cost levels for the generators and reduce risk for the investing parties
- Commitment by states to allow this process, and the associated capacity definition, to serve as a premise for Certificates of Need

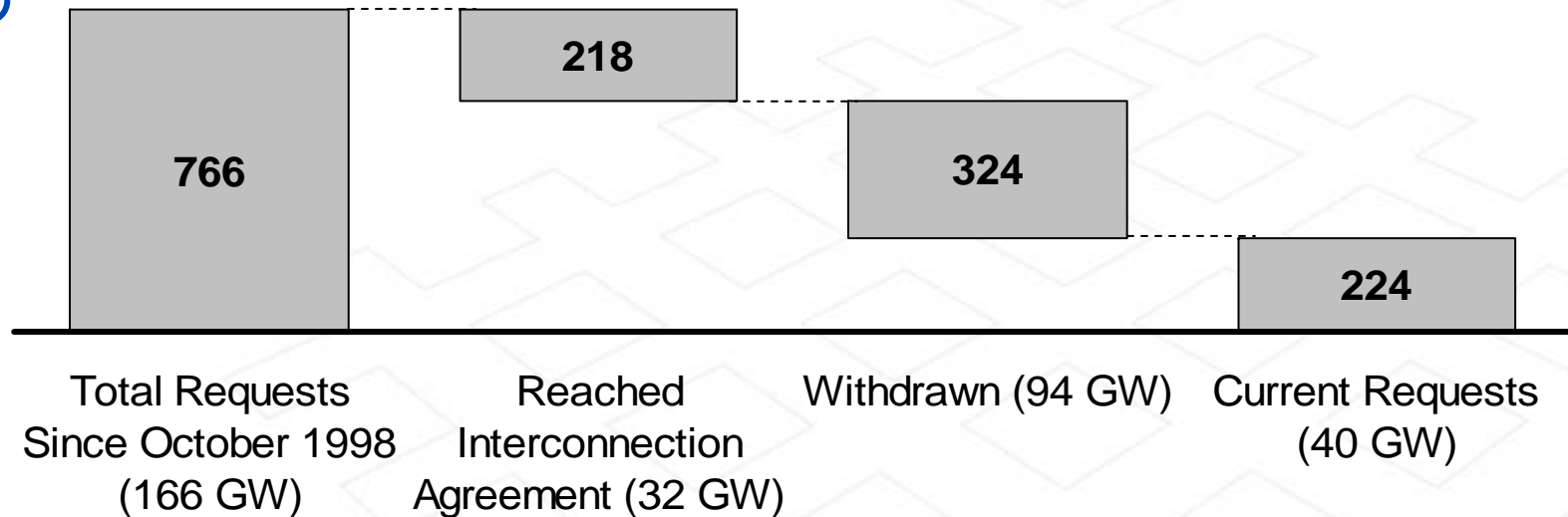
Next Steps

- Commence stakeholder process
 - Incorporate preliminary feedback on Midwest ISO's Open Season White Paper draft
 - June 22nd – Distribute White Paper to all Stakeholders
 - July 11th (tentative) – First stakeholder Meeting to discuss general concept and financing mechanism (funding and repayment)
- Develop Tariff changes to incorporate the concepts as a supplement to the current queue process
- File tariff changes along with the FERC 890 Compliance Filing in October 2007

○ **Appendix**

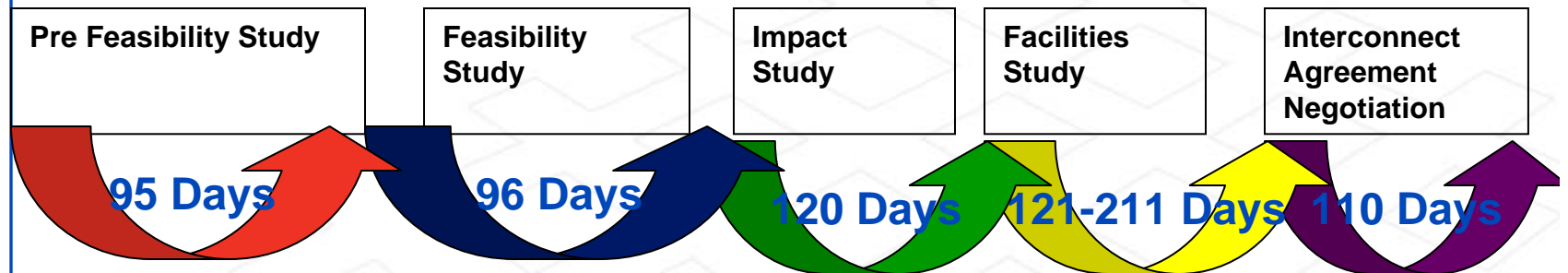


Generation Interconnection Queue History



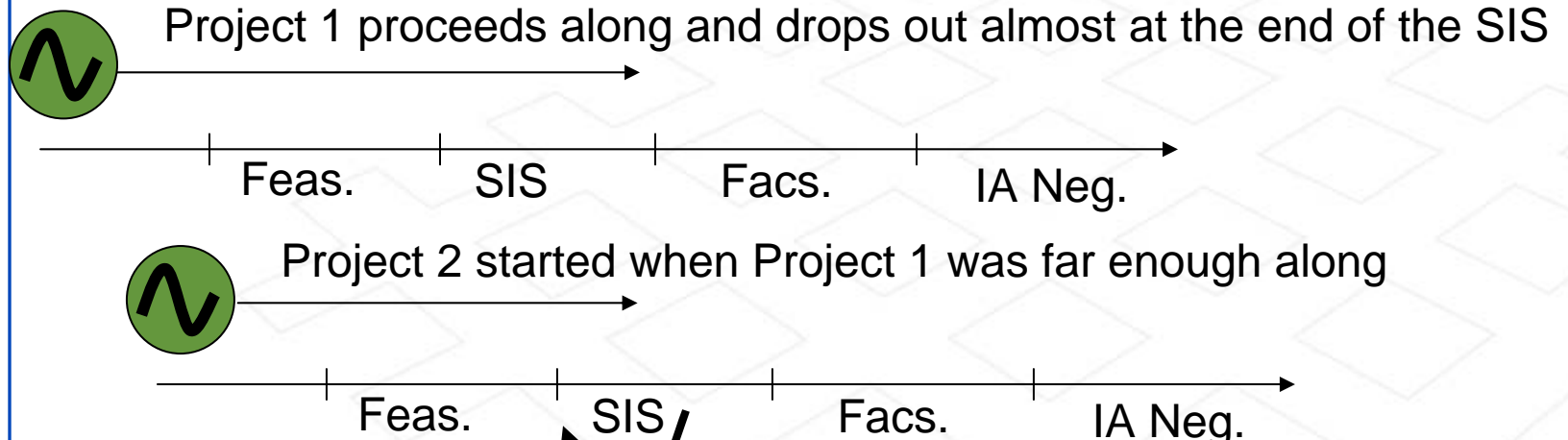
- 324 requests totaling 94 GW of generation have entered the queue and withdrawn
 - Each request takes up to 658 days to process through Interconnection Agreement (excludes state regulatory approval and construction time) per tariff
 - Withdrawals mean restarting study for requests later in queue that are impacted by withdrawn requests (tariff requires sequential processing) – delays resolution to requests and increases cost
- Current requests represent a 33% increase over Midwest ISO market peak load – not probable that all will be financed and approved

Current Interconnection Queue Process



- Up to 658 days are allowed for the tariff process, which requires decisions and actions by the Midwest ISO, The Developer, and the Transmission Owners
 - This timeline does not reflect an additional 36 - 72 months for state regulatory approval and construction
- Per the tariff, requests must be processed sequentially and the first requestor requiring the upgrade pays for it
- To provide improved customer service, Midwest ISO begins processing the next study in the queue in parallel, typically starting the next request evaluation once the prior request has entered the Feasibility Study Phase
 - When projects withdraw from the queue, the entire process (and the 658 day tariff timeline) starts again
 - Alternative to parallel processing is to wait 19-20 months before addressing the next item in the queue; based on the current queue, this would result in the queue being cleared in 2050

Impact of Withdrawals

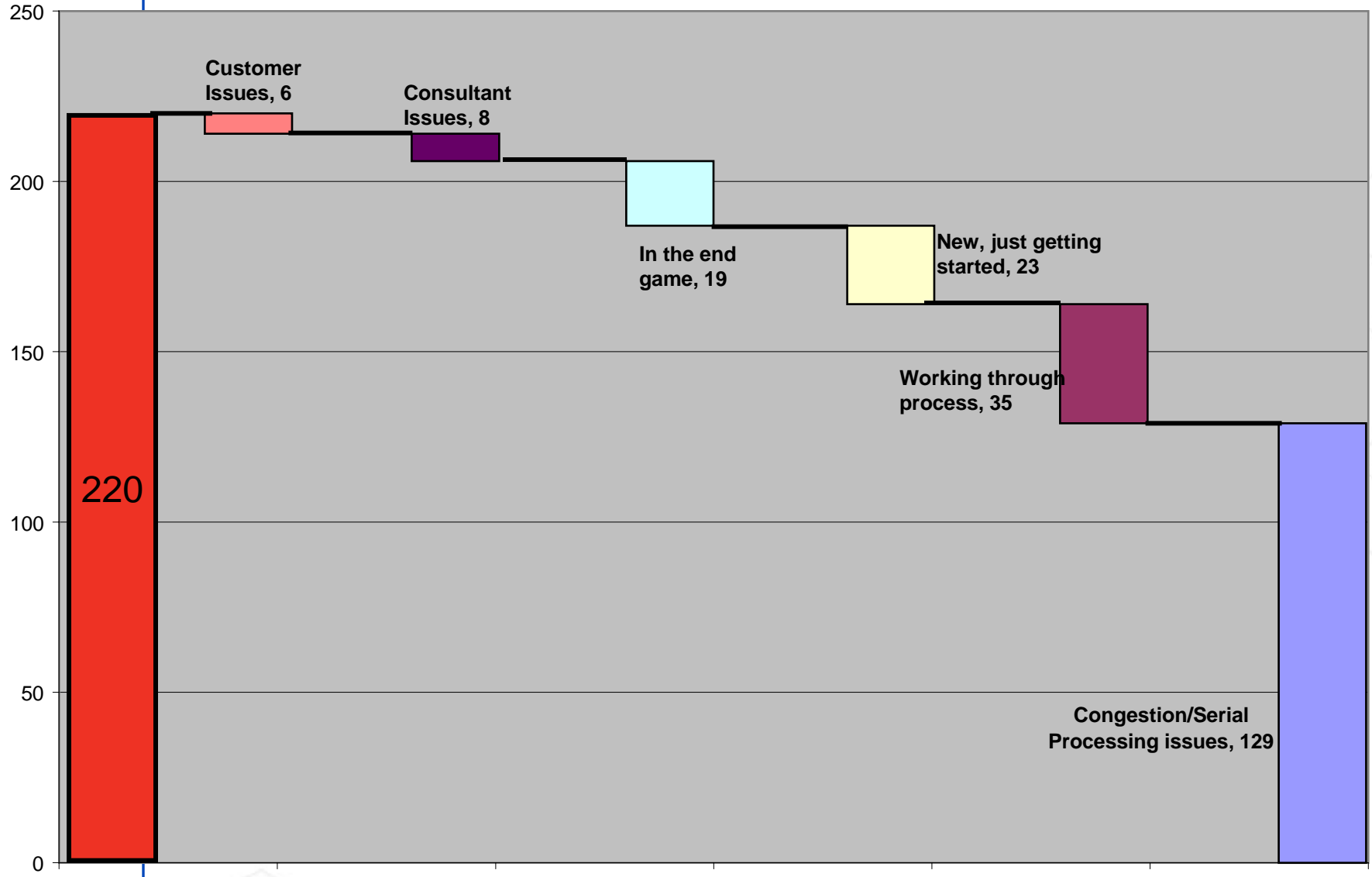


Project 2 must now be restudied!!!
The clock gets reset, so MISO is adhering to the Tariff, but the customer is not well served

Q: Why'd you even start on Project 2?
A: The alternative is to wait 19-20 months to even begin. Add project on top of project and the queue will be clear in the year 2150

This dynamic, multiplied between 3 and 30 times, shows the effect of the churn on a group study. All the time in the looped part is essentially wasted. As 60% of projects drop out, this translates to a lot of FTE's reworking on lots of projects.

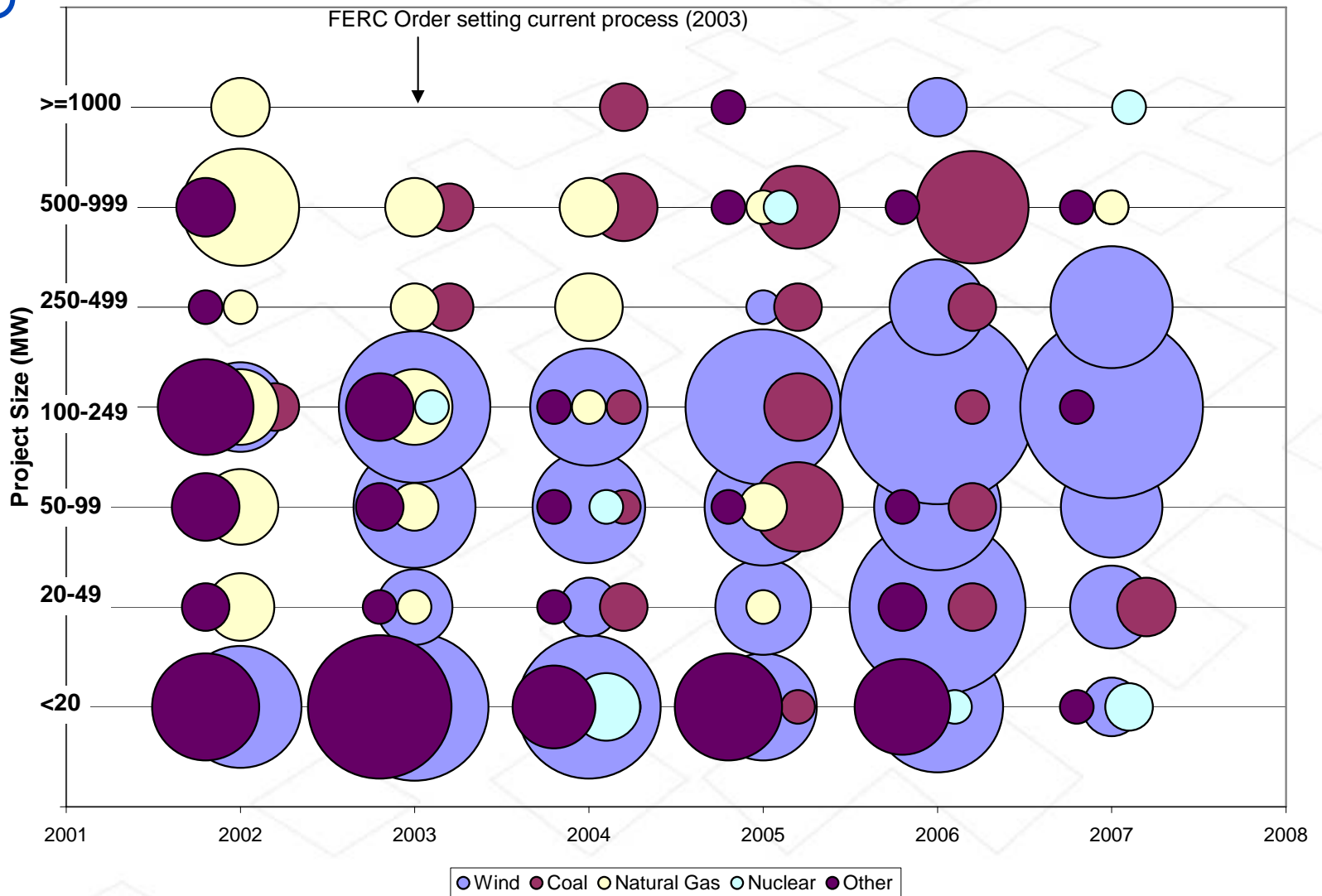
Status on Active Project Delays*



Evolution of the Queue*

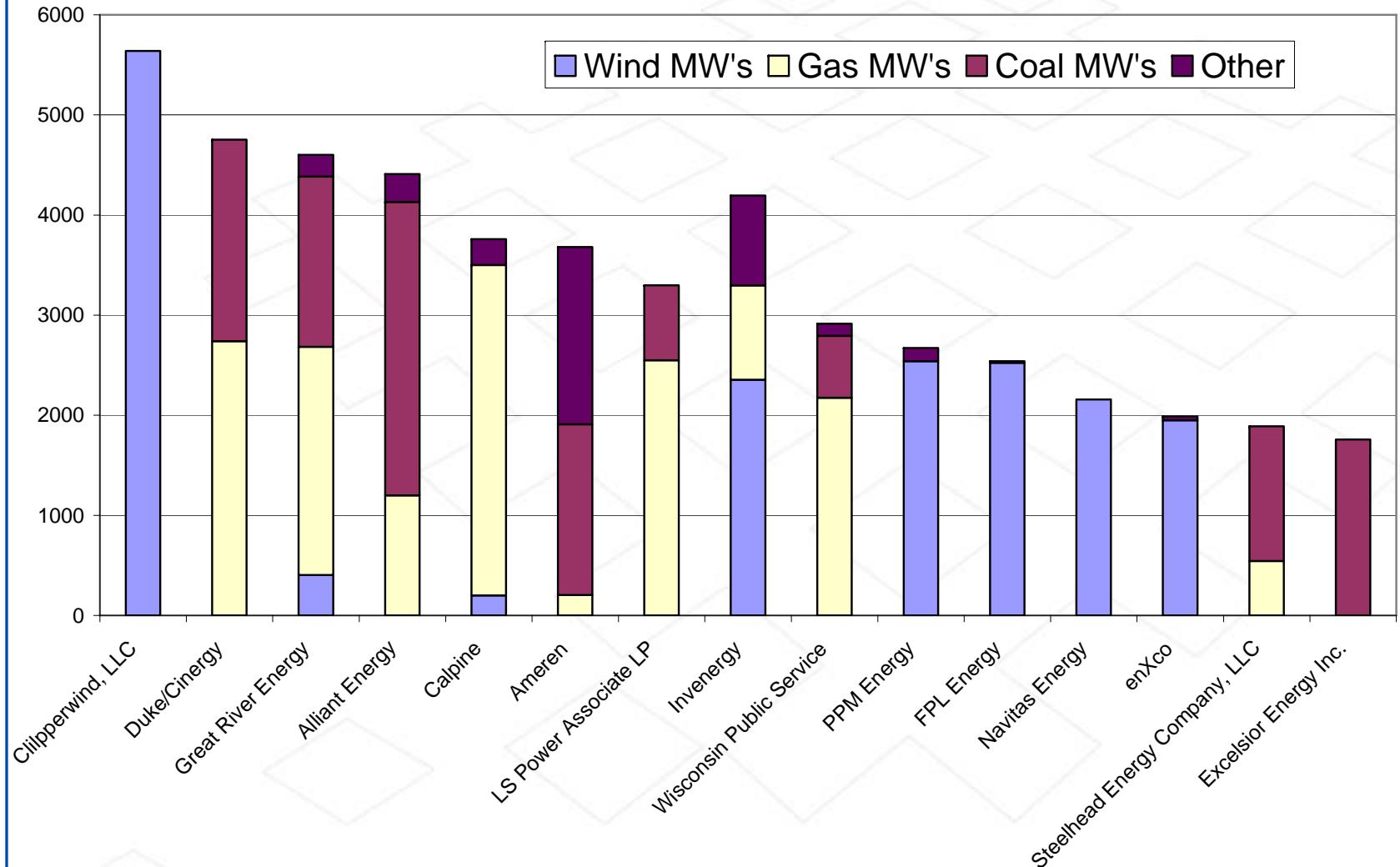


Shift to larger projects, driven largely by wind
 Reduction in CT projects more easily accommodated by current processes



* Size of bubble indicates number of requests; Queue as of May 1, 2007

Developers with More than 1700 MW in Queue*



*Queue as of May 1, 2007