

Regulatory Challenges to Renewables Development



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Regulatory Challenges to Renewable Development

Many challenges exist but three (3) stand at the forefront:

1. Resource policy
2. Queue reform
3. Cost recovery

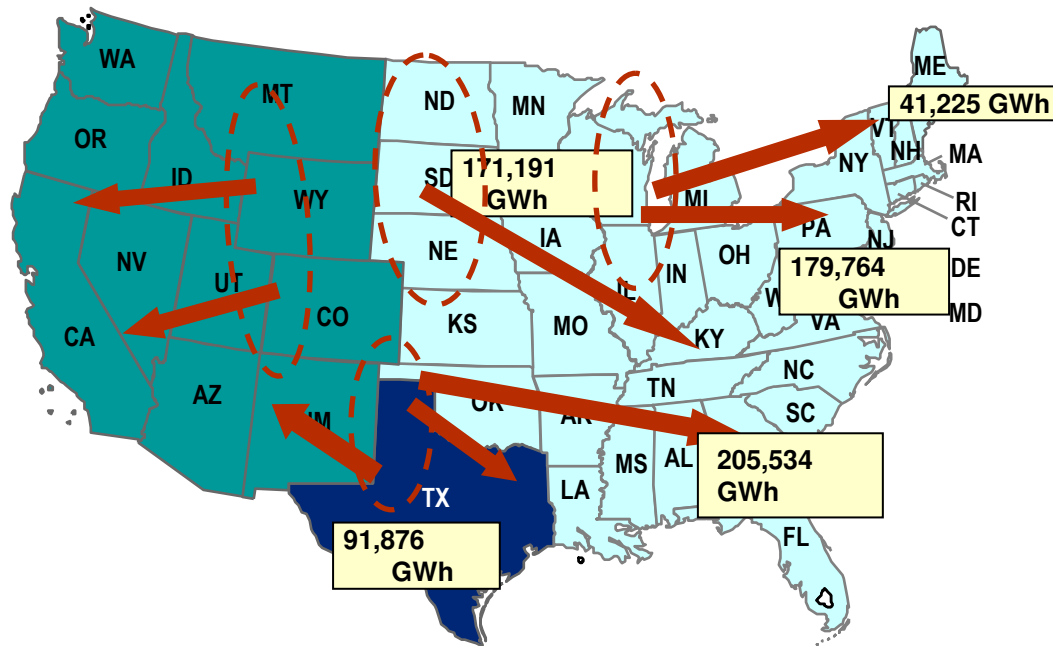
Resource Policy

Policy clarity is required to advance renewables

- Future carbon policy
 - Federal, State
- Renewable standards and approach
 - Federal versus State
 - National versus Regional versus States/(subregional)
 - Quantification
- State policy
 - Import versus “home grown”
 - Mandate versus goal
 - Infrastructure implications

Resource Policy

Renewable Energy Needed by Eastern Interconnect (2027)

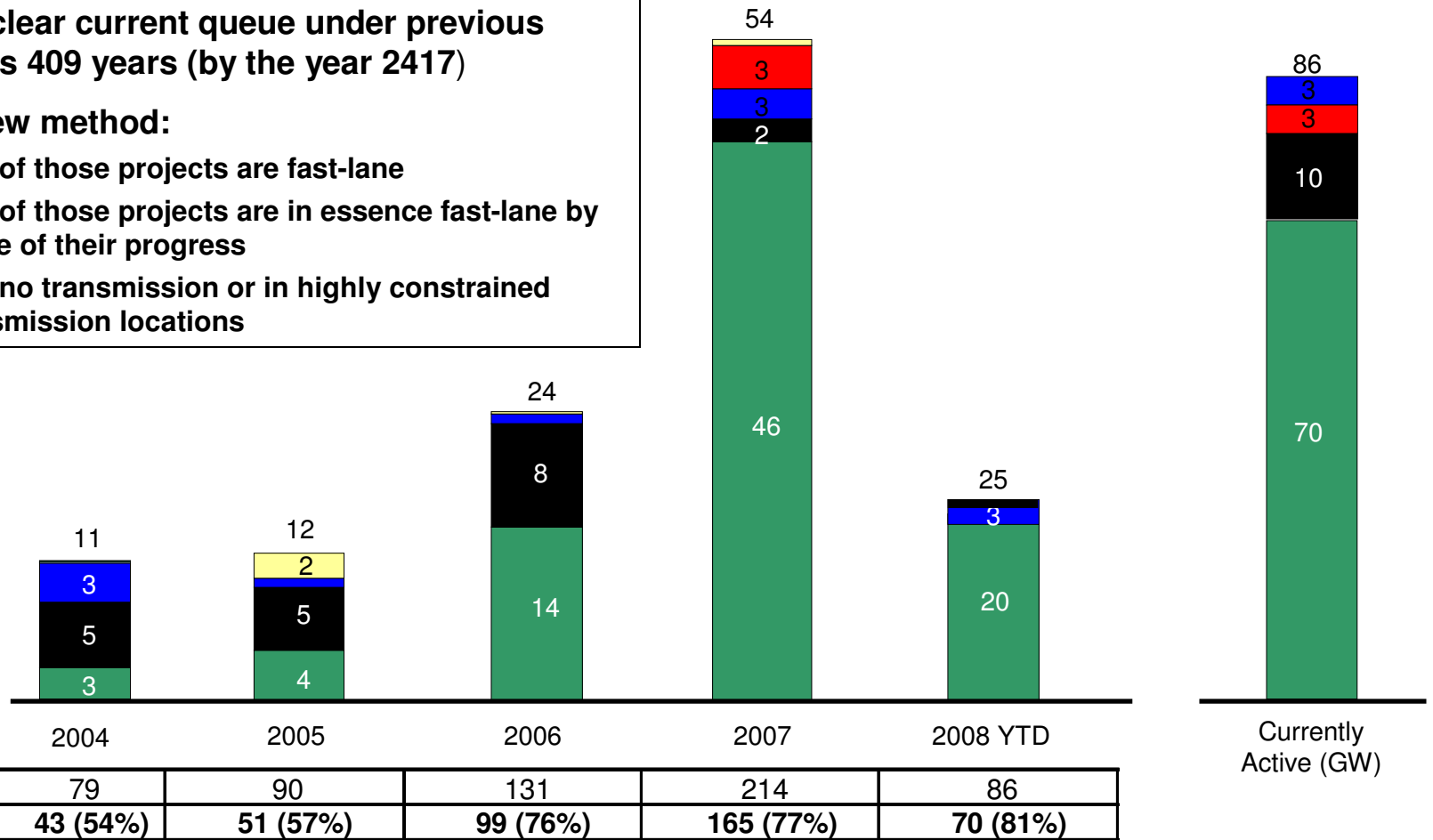


Midwest RPS Mandate/Goal

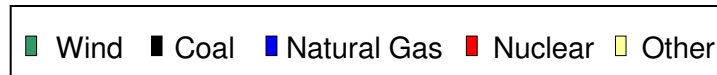
State	RPS Mandate/Goal	Estimated MW
IA	105 MW (M) (Alliant 25% by 2028)	1,105
IL	25% by 2025 (M) (18.75% Wind by 2013)	5,000
MI	7% by 2016 (Lansing)	50
MN	25% by 2025 (M) (Xcel 30% by 2020, 25% wind)	6,000
MO	11% by 2020 (G) (Colombia 15% by 12/31/22)	2,200
MT	15% by 2015 (M)	TBD
ND	10% by 2015 (G)	TBD
OH	12.5% by 2024 (G)	5,000
PA	18% by 2020-2021 (M)	TBD
SD	10% by 2015 (G)	TBD
WI	10% by 2015 (M)	3,000
Total		22,355+

Transmission Queue Status

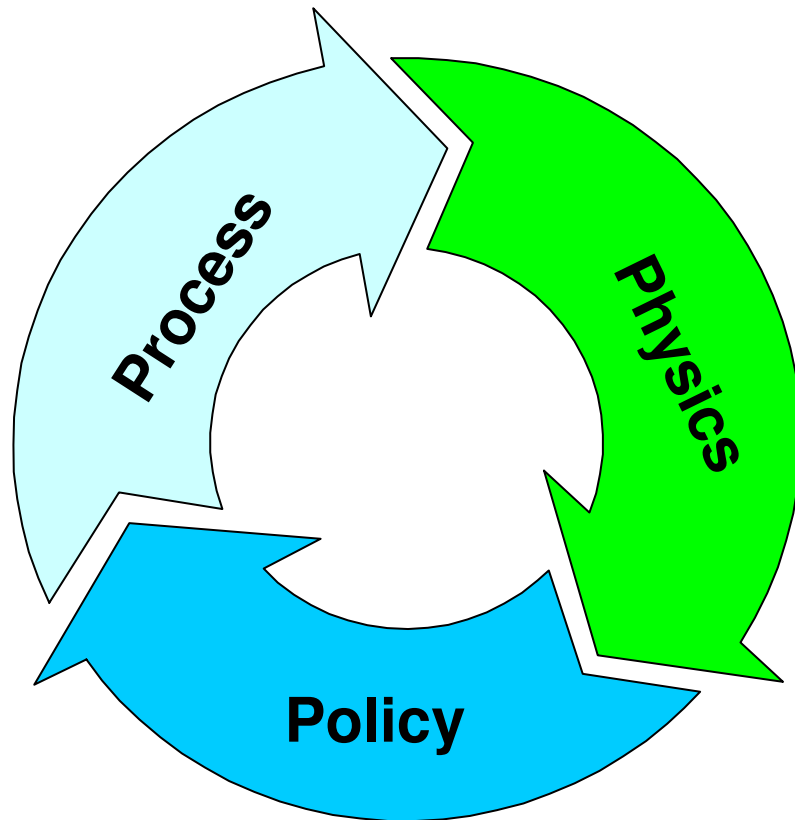
- Time to clear current queue under previous method is 409 years (by the year 2417)
- Under new method:
 - 22% of those projects are fast-lane
 - 21% of those projects are in essence fast-lane by virtue of their progress
 - 57% no transmission or in highly constrained transmission locations



Total # of Requests	79	90	131	214	86
Wind	43 (54%)	51 (57%)	99 (76%)	165 (77%)	70 (81%)



Queue Reform; 3 P's



Success in queue reform rests on 3 P's

Process: received FERC order approving changes to generator interconnection process

- Enforce results of Feasibility Study as binding
- Create fast lane
- Modify study deposit levels and timing
- Introduce milestone based process
- Reduce flexibility associated with suspension

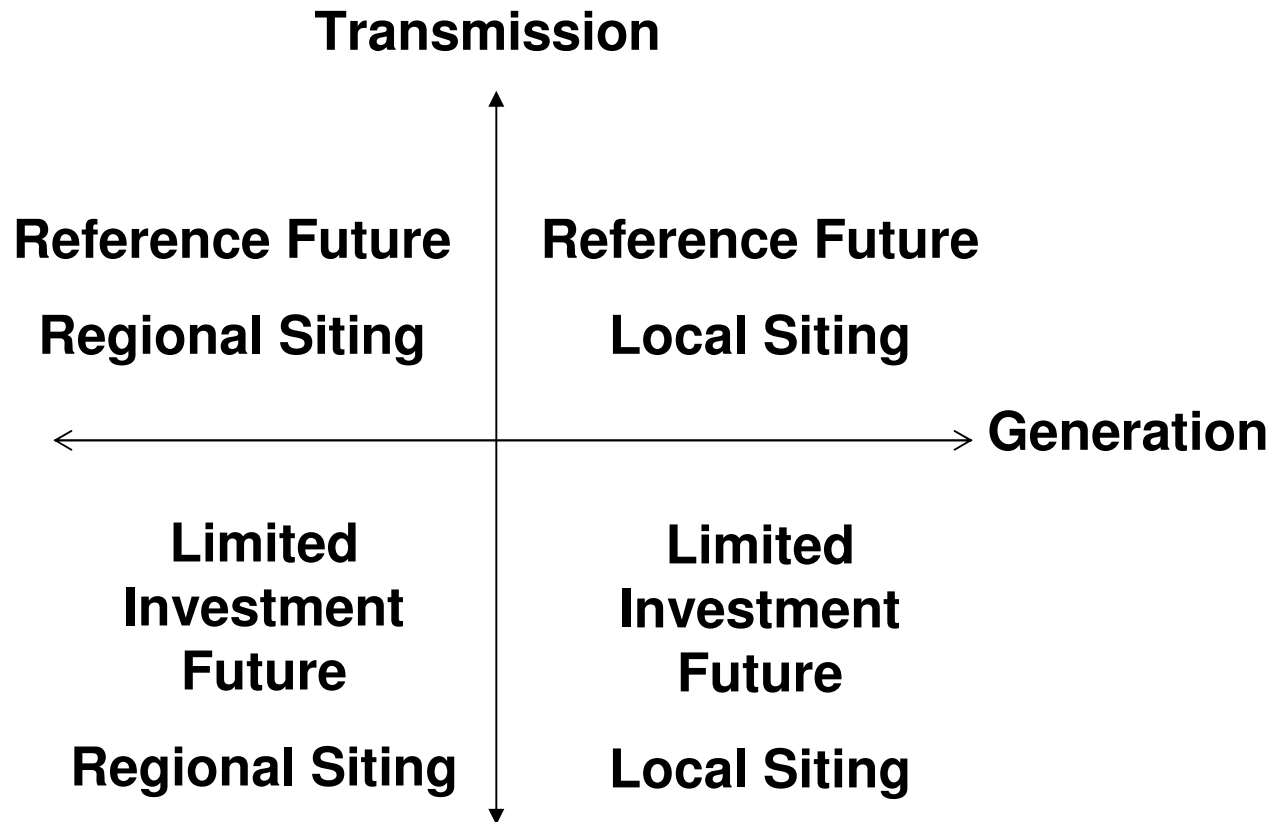
Physics: Regional Generation Outlet Study is the first step in using alternative planning methods to identify network upgrades to support interconnection of large quantities of generation in remote areas

Policy: Opening dialogue on items such as cost sharing and recovery

Regionally Planned Generator Interconnection Projects

- Goal is to increase integration with long-term planning process to allow more efficient generator interconnection
 - Determine the demand for the energy
 - Identify transmission upgrades to meet the demands
 - Allow projects in the queue to have access to the capacity
- Regional Generation Outlet Study to evaluate the transmission requirements
 - Determine distribution of wind sites across footprint to maximize ease of wind integration (Renewable Energy Zones)
 - Assess year-by-year aggregate wind mandates for all states in Midwest ISO, and associated renewable capacity requirements
 - Develop five year road map, informed by the queue and consistent with mandates, of transmission projects to interconnect wind generation
- Interconnection Process Task Force to evaluate necessary tariff changes to integrate with current queue process (e.g. identification and subscription methodology)

Regional Generation Outlet Study Alternatives under Evaluation



Cost Recovery

- **Cost Recovery in other ISO/RTO**
 - PJM: Postage stamp all upgrades 500 kV and above. Below 500 kV - distribution factor calculation to allocate Reliability projects (no allocation method for Economic Projects yet)
 - SPP: Reliability 33% postage stamp, 80% calculate cause/beneficiaries of upgrade and allocate via formula to represent benefits. Economic projects are voluntary and not allocated.
 - ISO New England/ERCOT – Postage Stamp for region / single state
 - NYISO: FERC order pending, beneficiary based, 80% of beneficiaries must support economic upgrades to proceed
- **Midwest ISO Reliability & Criteria Benefits (RECB) I & II**
 - RECB I Objective – General Allocation Procedures
 - Identify Transmission projects classified as Baseline Reliability Projects (“BRP”) or Generator Interconnection Projects (“GIP”)
 - Cost sharing and allocation treatment – 20% of BRP costs postage stamp / 80% pricing zones using distribution factor-based beneficiary analysis
 - RECB II Objective - Cost Sharing Requirements
 - Incorporate a cost allocation methodology for Regional Beneficial Projects (“RBP”)
 - Projects greater than \$5 million and rated at 345 kV or higher
 - Recent Midwest ISO informational compliance filing to FERC on RECB (8/29/08)
 - RECB I implementation issues related to (1) interpretation and application of the Tariff and (2) cost allocation policy questions that may not be reflected in current Tariff
 - RECB II – initial testing of 5 projects resulted in none passing the RECB II threshold (based on current definition of an BRP)