Upper Midwest Transmission Development Initiative

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REGIONAL ELECTRIC TRANSMISSION PLANNING IN THE UPPER MIDWEST TO SUPPORT WIND ENERGY

The Upper Midwest Transmission Development Initiative Releases Cost Allocation Principles to Guide Future Action

MADISON - The Upper Midwest Transmission Development Initiative (UMTDI) today released cost allocation principles that will guide UMTDI's efforts to bring more electric transmission infrastructure to the Upper Midwest. The principles provide the policy parameters for moving towards multi-state agreement on sharing the costs for improvements to the high voltage grid spanning the country's best wind resource.

UMTDI was created by the Governors of Iowa, Minnesota, North Dakota, South Dakota and Wisconsin in September 2008. Its goal is to enable desired transmission to be built in the quickest and most cost effective way by identifying wind generation resources and the infrastructure needed to support those resources, and developing a cost sharing approach that will fairly apportion the cost of that investment.

The UMTDI Executive Team is made up of utility commissioners and representatives from the Governors' offices. In addition to the eight principles announced today, UMTDI has identified renewable energy zones that will allow for detailed transmission planning. It hopes to complete its work by the end of 2009.

The decisions by UMTDI are made after receiving input from transmission companies, utilities, independent generation owners, wind and renewable advocates and other key stakeholders. UMTDI is being assisted by the Midwest Independent Transmission System Operator (Midwest ISO).

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"Coordinated transmission planning is occurring in the Midwest, and remains critical to providing a diverse supply of affordable, clean energy to our region," said Eric Callisto, Chairperson of the Public Service Commission of Wisconsin. "UMTDI's planning effort is a great example of how states with a common goal can tackle and solve some of the most difficult transmission policy issues facing this country."

"The growing success of the UMTDI is important to Minnesota and the achievement of our renewable energy goals," David Boyd, Chairman of the Minnesota Public Utility Commission said. "It shows that it is possible to work cooperatively with our neighbors to encourage transmission infrastructure development on a more regional basis. I am confident that as we move forward to develop an equitable cost allocation strategy, we will promote regional planning that can accommodate state policies."

"North Dakota's vast wind energy potential can help supply the nation with the energy it needs," said Commissioner Tony Clark of the North Dakota Public Service Commission. "UMTDI is an example of how regional planning efforts can help solve our nation's transmission challenges. I am pleased with the progress so far and look forward to continuing to work with my colleagues across the region."

"Iowa has a tremendous opportunity to develop our wind energy resources, but we cannot reach our full potential as an energy producing state without an expanded and upgraded interstate transmission system," commented Darrell Hanson of the Iowa Utilities Board. "I am encouraged by UMTDI's progress so far, and I am confident we can agree on a transportation development plan and cost allocation system that promotes the interests of all five states."

"The future of wind energy depends upon diverse groups such as UMTDI sharing a common goal and collectively working toward achieving that goal," stated Commissioner Gary Hanson of the South Dakota Public Utilities Commission. "Our efforts will bring benefit to our state, the region, and hopefully to the nation, as we move forward to unlock the enormous potential of our wind resource."

The cost allocation principles and maps of the renewable energy zones under examination are attached. Additional information about UMTDI and the materials developed so far can be found at www.misostates.org.

COST ALLOCATION PRINCIPLES

- **Principle 1** - The UMTDI favors cost allocation that is informed by clearly-defined state, regional and federal public policy goals, economic efficiency, and sound transmission planning and reliability considerations. Applicable UMTDI cost allocations should be flexible and adjust as state and federal changes are approved and implemented. Cost allocations should allow a reasonable opportunity for recovery of prudently-incurred costs.

- **Principle 2** - The following questions must be answered through a planning process conducted by appropriate stakeholders:
  - What is the project's potential cost, purpose, or need?
  - Which stakeholders are driving the need for the project?
  - Which stakeholders will directly benefit from the project?
  - Which stakeholders will be negatively affected by the project?

- **Principle 3** - Effective transmission planning identifies all who cause costs to be incurred and who benefit from the associated new transmission construction and operation as well as the degree of the causation and benefit.

- **Principle 4** - As a general rule, cost causers and beneficiaries should pay for the new electric network transmission needed for delivery of renewable energy resources. Determination of beneficiaries should consider more than one single metric as well as current and future needs or uses. With the passage of time there may be a reduced distinction between transmission used for reliability and economic purposes. It may not be possible to identify all beneficiaries over a project's lifetime with precision at the time the project is planned.

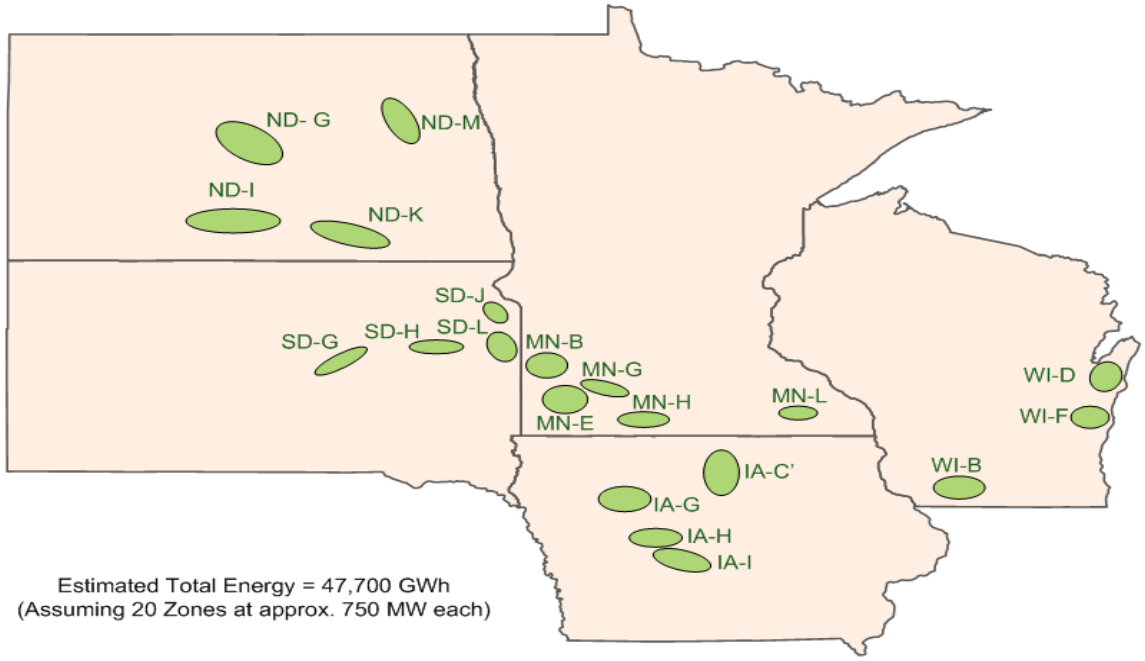
- **Principle 5** - No load serving entity or transmission owner's customers should disproportionately bear the cost of new electric network transmission needed for delivery of renewable energy resources.

- **Principle 6** - For appropriate cost allocation, effective transmission planning must consider regional impacts. Transmission planning should include all relevant existing and forecast demand loads, including demand and energy use reduction programs, as well as those existing and anticipated supply resources located within the regional level. Transmission planning must factor in the most current topology of the network, proposed projects included in appropriate planning processes, and any anticipated reliability upgrades of the transmission owners.

- **Principle 7** - For AC lines, the higher the voltage and the longer the transmission line, the greater the likelihood that a broader region will benefit by the project and should hence pay for the improvement.

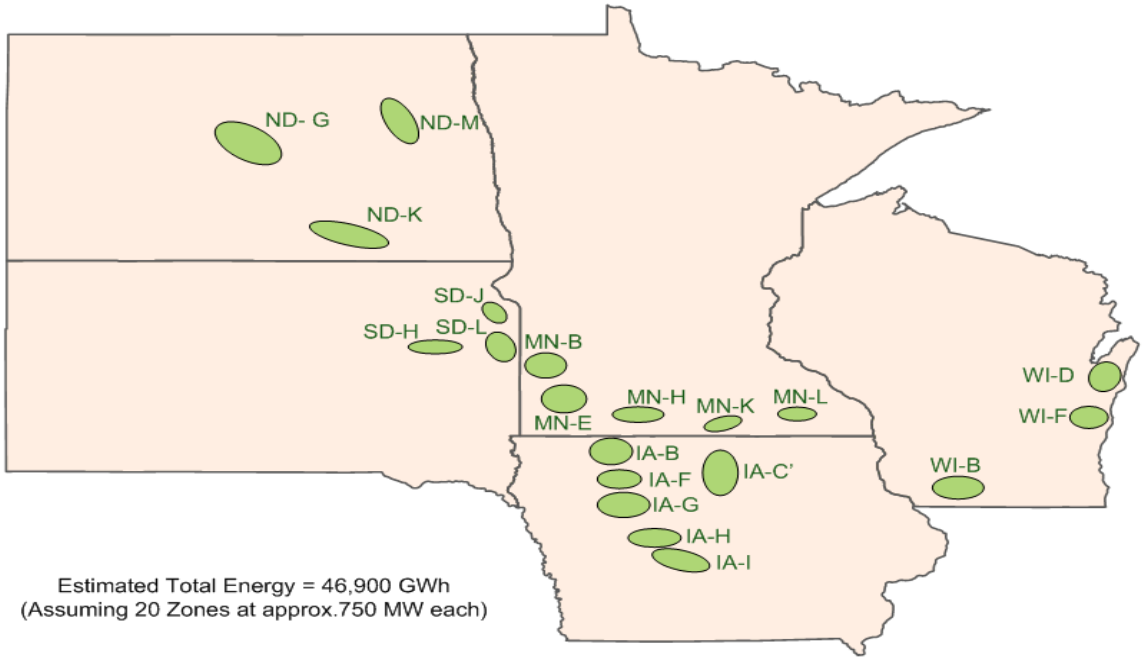
- **Principle 8** - To the extent that transmission investment provides benefits to regions outside the UMTDI 5-state region (Iowa, Minnesota, North Dakota, South Dakota, and Wisconsin), proportional costs should be allocated to those non-UMTDI regions.

SCENARIO UMTDI A



Estimated Total Energy = 47,700 GWh
(Assuming 20 Zones at approx. 750 MW each)

SCENARIO UMTDI B



Estimated Total Energy = 46,900 GWh
(Assuming 20 Zones at approx.750 MW each)

UPPER MIDWEST TRANSMISSION DEVELOPMENT INITIATIVE – UMTDI

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