



October 20, 2011

News Media Contact

Craig Cano | 202-502-8680

Docket Nos. ER10-1791-001

FERC reaffirms approval of Midwest ISO transmission planning process

The Federal Energy Regulatory Commission (FERC) today reaffirmed its approval of a proposal by the Midwest regional wholesale power market operator to plan and pay for transmission additions that provide benefits to consumers in the region.

Today's order approves a proposal drafted after more than 19 months of discussion and debate by members of the 13-state Midwest Independent Transmission System Operator Inc. (Midwest ISO) that establishes a process under which the region would plan and allocate costs for additions to the transmission grid. It does not state where, when or how any transmission lines will be built.

This Midwest ISO proposal is not related to FERC's new Order No. 1000, issued in July 2011. The Midwest ISO submitted this proposal to FERC in July 2010, a year before FERC finalized the reforms that are reflected in Order No. 1000.

FERC gave initial approval to the Midwest ISO proposal in December 2010, saying it was just and reasonable and represents a package of reforms that will enable the Midwest ISO and its stakeholders to identify transmission projects that provide sufficient regional benefits to warrant regional cost allocation. The Midwest ISO still must file with FERC a proposal to comply with the provisions of Order No. 1000. That is due to the Commission in late 2012.

Under the Midwest ISO proposal approved today by the Commission, the region will consider a new category of transmission projects, called "multi-value projects," that provide regional benefits and would be eligible for regional cost allocation. The market operator will review each proposed multi-value project to ensure that it addresses reliability and/or economic issues or supports a public policy requirement in transmission zones within the Midwest ISO region. Individual multi-value projects then will be aggregated with other similar projects in a portfolio so that benefits of the new projects are conferred across the entire Midwest ISO in a manner that is at least roughly commensurate with the costs incurred.

In today's decision, FERC said it will require MISO to conduct a periodic check, proposal a request by one of the parties in the case that requires reviewing at least once every three years the costs and benefits of the cumulative effects of all approved multi-value projects, and to post the analyses on its website. These reviews will enhance the planning process to develop future projects in a manner that ensures that costs of the projects are distributed within the Midwest ISO region only to those who benefit from them, FERC said.

Since the 1970s and consistent with congressional directives, FERC has sought to facilitate competitive wholesale electricity markets to benefit consumers. The Commission has acted fully within its statutory authority in reaffirming its approval of the Midwest ISO proposal.

Frequently Asked Questions

Is this Midwest ISO proposal associated with transmission planning and cost allocation requirements recently adopted by FERC in Order No. 1000?

No. The Midwest ISO submitted its proposal to FERC in July 2010, a year before Order No. 1000 was issued. The proposal was conceived, drafted and approved by the membership and stakeholders in the Midwest ISO region, which encompasses 13 states in the U.S. Midwest. The process took 19 months. Numerous proponents and opponents provided



comments on and debated the merits of Midwest ISO's proposal in filings before FERC. After a careful review of the record, the Commission approved the proposal in December 2010, again before the issuance of Order No. 1000. Following that approval, requests for rehearing were filed by parties and FERC has been considering requests for reconsideration of all or parts of the original order. The Commission today is reaffirming its approval of the initial order, which does not address whether any further modifications to the Midwest ISO may be required in order to comply with the requirements of Order No. 1000.

Then why are you doing this now, if they'll just have to turn around and submit a new proposal that complies with FERC Order No. 1000?

Today's order involves a long-pending case that predates Order No. 1000. FERC's response to the outstanding requests for rehearing is separate and apart from the Order No. 1000 proceeding.

Will this proposal hurt Michigan consumers?

No. As with consumers in other states whose transmission systems are operated by regional transmission operators, Michigan benefits from a strong, regionally integrated transmission network. All Midwest ISO members experience significant benefits of membership that accrue over time. Midwest ISO expects that a substantial number of transmission projects approved under its proposal will present multiple types of regional benefits. FERC has found that this proposal constitutes a just and reasonable package of reforms to the Midwest ISO transmission planning process.

Will Michigan be paying for other states' public policies?

Taken together, the components of Midwest ISO's MVP proposal will ensure that if Michigan bears costs associated with other states' public policies, then Michigan will receive benefits that are at least roughly commensurate with those costs. Midwest ISO will consider the public policies adopted by Michigan and other states in the region when it evaluates possible MVP projects. Under Midwest ISO's qualification criteria, possible MVP projects with a public policy benefit must also have benefits to reliability or congestion relief. Moreover, beyond its qualification criteria for MVP projects, Midwest ISO's portfolio approach and the periodic check requirement that the Commission is imposing in today's order will ensure that costs are allocated at least roughly commensurate with benefits.

But isn't this going to cost Michigan tens of millions of dollars?

Today, FERC affirmed Midwest ISO's proposed process for transmission planning and cost allocation, not the allocation of costs for specific projects. Today's order does not determine where, when, or how specific transmission lines will be built.

R-12-2

(30)