Midwest ISO
We manage power.

Midwest ISO Market Expansion - Module F FERC Filing

February 1, 2008

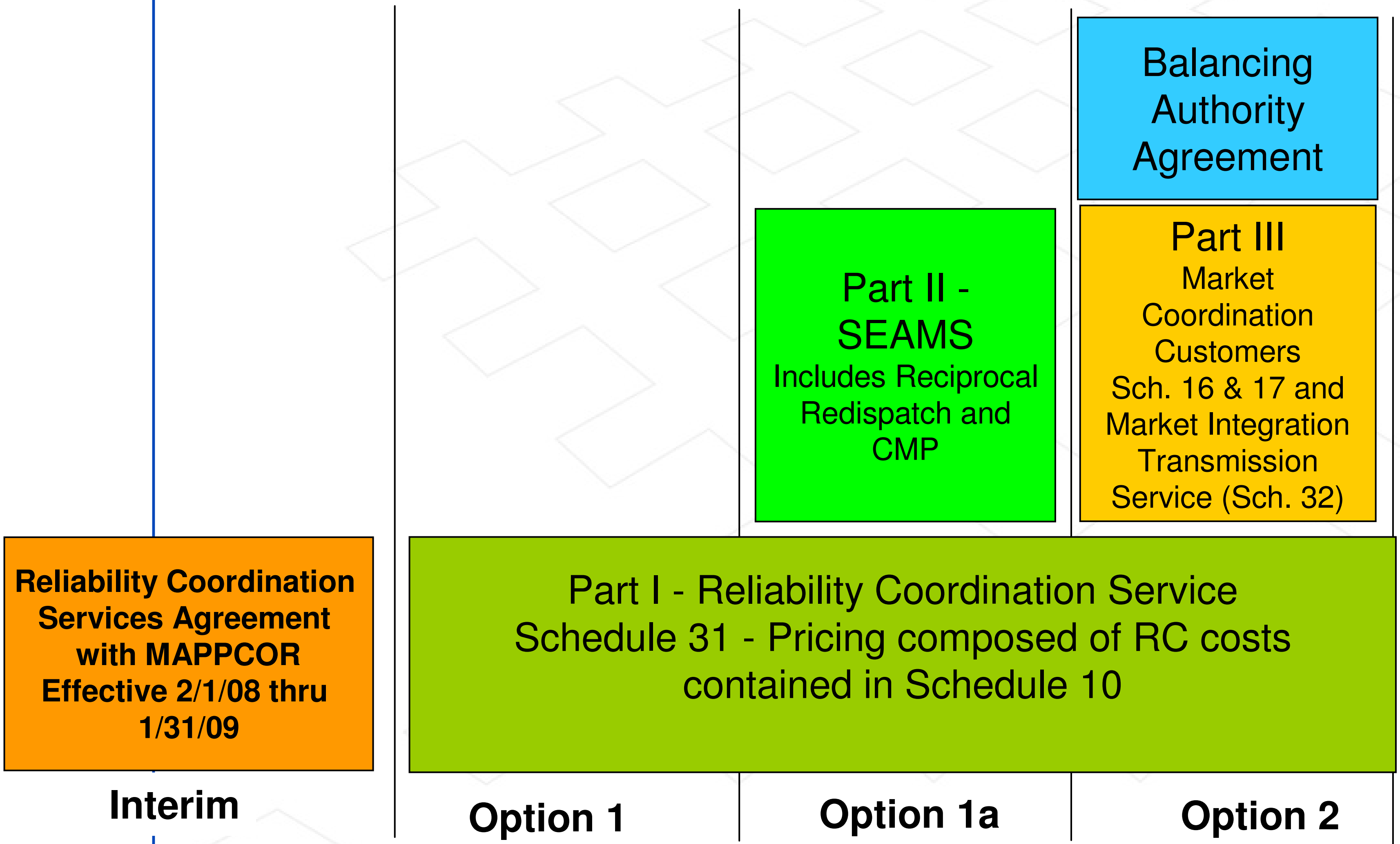
Objectives of Expansion

- Increase market opportunities to reduce energy cost for both existing and new market participants
- More efficient congestion management
- Provides a common market by enabling full participation of generation and load in the existing market
- Reduce administrative cost to existing customers by leveraging economies of scale
- Reduce market wide costs to existing customers by
  - Reducing uplifts
  - Sharing remaining uplifts on a wider base
  - Reduction in congestion costs
- Maintain existing risk profile for existing participants

History and Challenges

- MISO and MAPP Agreements (SEAMS, Service Agmts, etc.)
  - Expiration of current arrangements
- Business Characteristics of MAPP Entities
  - High proportion of non-jurisdictional entities
  - Unique load / generation disposition
  - Reluctance to seek full MISO membership
- Concerns about participation in the Midwest ISO via the TO Agreement
  - Transmission Cost Allocation Methodology for expansion and interconnection
  - MISO transmission pricing methodology would cause an unjust and unreasonable cost shift
  - Requirement to formally petition FERC to exit
  - Initial TO agmt term of five years is not acceptable, three years preferred
  - Responsibility for start-up costs part of exit cost calculation

Module F – Services Structure



Potential West Region Customers

- Transmission Provider and Balancing Authority
  - MidAmerican Energy (IOU) (Iowa)
  - Muscatine Power & Water (Iowa)
  - Western Area Power Administration – Upper Great Plains (North Dakota, South Dakota)
  - Dairyland Power Cooperative (Wisconsin)
  - Nebraska Public Power District (Nebraska)
  - Omaha Public Power District (Nebraska)
  - Lincoln Electric System (Nebraska)
- Transmission Provider
  - Basin Electric Power Cooperative (North Dakota)
  - Heartland Consumers Power District (South Dakota)
  - Northwestern Public Service (IOU) (South Dakota)
  - Corn Belt Power Cooperative (Iowa)
  - In an existing Midwest ISO Balancing Authority
    - Minnkota Power Cooperative (North Dakota)
    - Central Iowa Power Cooperative (Iowa)
    - Rochester Public Utilities (Minnesota)

Proposed Tariff Structure

- Module A – Common Tariff Provisions (Definitions and General Provisions Sections 2-12)
- Module C – Revisions to 39.1.4 External Bilateral Transaction Schedules
  - Attachment L – Revision to the Credit Policy
- Module F – Coordination and Market Integration Services
  - Part I – Reliability Coordination Service
    - Attachment KK-1 Form of Service Agreement for Reliability Coordination Service
    - Schedule 31 Reliability Service Cost Recovery Adder
  - Part II – Interconnected Operations and Congestion Management Service
    - Attachment KK-2 Form of Service Agreement for Interconnected Operations and Congestion Management Service
    - Attachment LL – Congestion Management Process (Redispatch, Coordination of ATC/AFC/TTC and Reciprocal Flowgate Mgmt)
  - Part III – Market Coordination Services
    - Attachment KK-3 Form of Service Agreement for Market Coordination Services
    - Attachment MM – Pro Forma Provisions for Market Coordination Customer Open Access Transmission Tariff (OATT)
    - Schedule 32 Market Integration Transmission Service

Proposed Tariff Structure

- Part I – Reliability Coordination Service -
  - This service maintains the reliability of the Combined Reliability Systems in accordance with standards established by NERC, its relevant Regional Entity and Good Utility Practice
  - Upon availability this service will be entered into by customers to replace the MAPPCOR Bilateral Agreement
  - Initial three year term, rolling one year renewal, one year exit notice
  - Pricing based on reliability costs contained in Schedule 10 (Schedule 31 Reliability Service Cost Recovery Adder)

Proposed Tariff Structure

- Part II – Interconnected Operations and Congestion Management Service
  - This service provides specific congestion management services, including redispatch of generation, ATC/AFC/TTC Coordination and Reciprocal Flowgate Mgmt
  - Upon availability this service will be entered into by customers to replace the MAPP/MISO SEAMS Agreement
  - Initial three year term, rolling one year renewal, one year exit notice
  - Compensation would only occur if redispatch was mutually agreed to

Proposed Tariff Structure

- Part III – Market Coordination Services
  - This service integrates generation resources and load into the Midwest ISO Energy Market that are interconnected to transmission facilities not included in the Midwest ISO Transmission System
  - Upon availability this service may be entered into by customers
  - Initial three year term, rolling one year renewal, one year exit notice
  - This service includes Market Integration Transmission Service

Key Features of Part III - Market Coordination Services

- Key Features
  - Customer is required take Reliability Coordination Service under Part I of Module F
  - Customer cannot be a signatory to the ISO Agreement
  - Customers would be subject to all Modules of the Midwest ISO Tariff, except Module B.
  - Customer would be required to adopt, in its transmission tariff, provisions referencing the Midwest ISO EMT
  - Customers would be required to execute the Ancillary Services Market Balancing Authority Agreement.
  - Customers would be required to take Market Integration Transmission Service which is an after-the-fact transmission charge that compensates a transmission owner for use of their system caused by the market dispatch

Module F: Proposed Dates

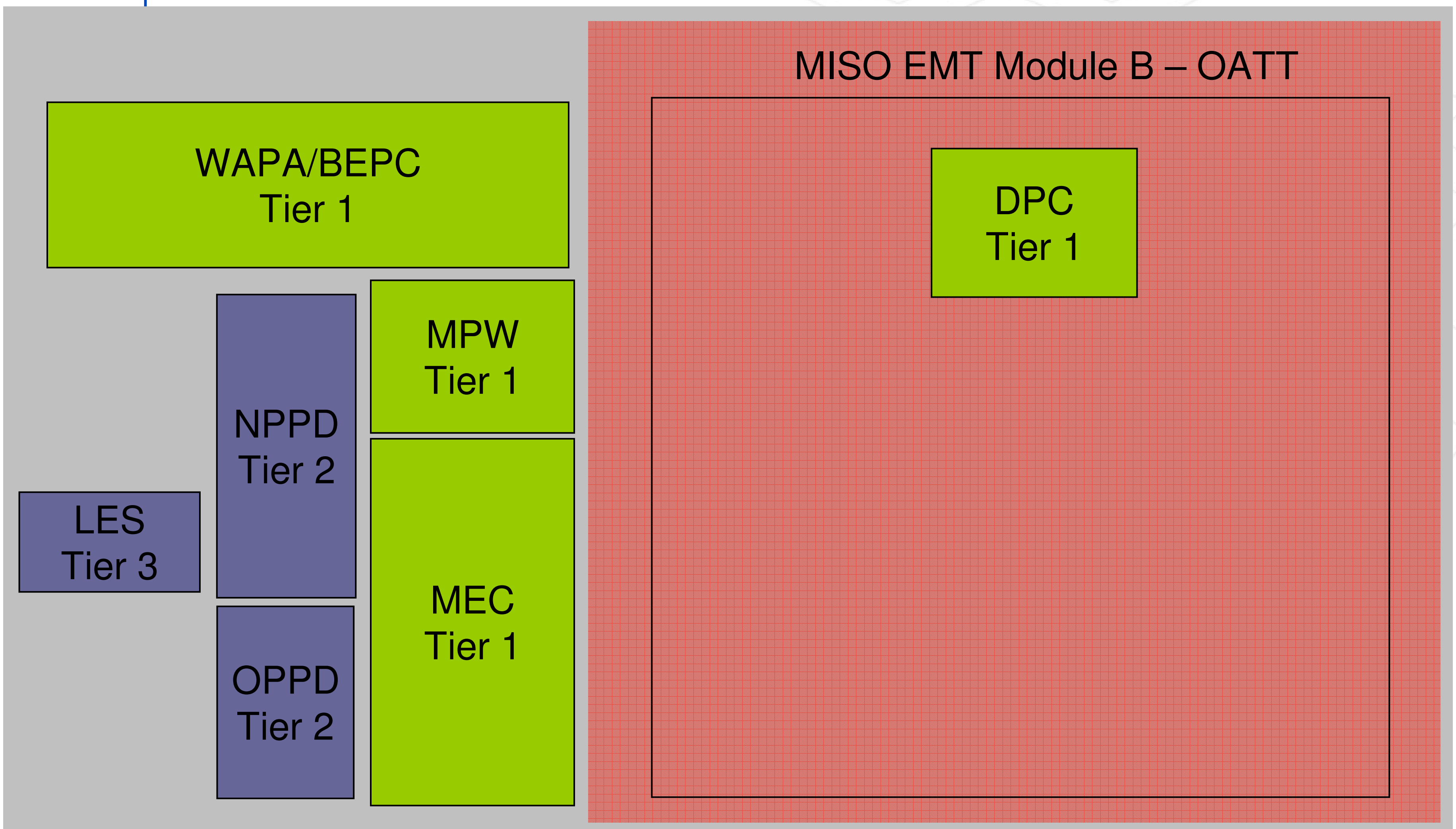
Date	Milestone
January 16, 2008	Advisory Committee Meeting – Verbal discussion of service options
January 25, 2008	Post the discussion draft available for review
January 31, 2008	Discussion Draft Stakeholder comments due
February 11, 2008	Expansion Workshop
February 13, 2008	Post the Filing draft for the Advisory Committee
February 20, 2008	Midwest ISO Advisory Committee Meeting
February 22, 2008	Tariff & Business Practices Subcommittee review meeting
March 3, 2008	FERC Filing

Appendix

Benefits for Existing Members

- Reduction in administrative costs
  - Adding additional members spreads current charges across more MWh in Schedule 17
  - Minimal implementation and ongoing operating costs
  - Net impact approximately 10% reduction in Schedule 16 and 17
- Reduced market-wide charges
  - Expansion would improve market operations, and move charges such as unfunded congestion into the Locational Marginal Prices due to:
    - Better market knowledge of congestion along the current western seam
    - Having available more efficient generation units to address congestion
  - Additionally, the residual charges would be shared by 10% more load resulting in a reduced allocation for incumbent participants

Transmission Providers dependent on another entities selection



Why is Market Integration Transmission Service (MITS) needed?

- Midwest ISO Redispatch replaces NERC TLR
  - Enables generation and load under a separate transmission tariff to be eligible to be managed by the existing congestion management process
- Solves the requirement to schedule between tariffs
  - Eliminates the transaction based limits that results in an inefficient and less cost effective dispatch solution

Proposed Tariff Structure

- Part I – Reliability Coordination Service
  - This service maintains the reliability of the Combined Reliability Systems in accordance with standards established by NERC, its relevant Regional Entity and Good Utility Practice
  - Upon availability this service will be entered into by customers to replace the MCSG Bilateral Agreement
  - Initial three year term, rolling one year renewal, one year exit notice
  - Pricing based on reliability costs contained in Schedule 10 (Schedule 31 Reliability Service Cost Recovery Adder)

Proposed Tariff Structure

- Part II – Interconnected Operations and Congestion Management Service
  - This service provides specific congestion management services, including redispatch of generation, ATC/AFC/TTC Coordination and Reciprocal Flowgate Mgmt
  - Upon availability this service will be entered into by customers to replace the MAPP/MISO SEAMS Agreement
  - Initial three year term, rolling one year renewal, one year exit notice
  - Compensation would only occur if redispatch was mutually agreed to

Proposed Tariff Structure

- Part III – Market Coordination Services
  - This service integrates generation resources and load into the Midwest ISO Energy Market that are interconnected to transmission facilities not included in the Midwest ISO Transmission System
  - Upon availability this service may be entered into by customers
  - Initial three year term, rolling one year renewal, one year exit notice
  - This service includes Market Integration Transmission Service

Key Features of Part III - Market Coordination Services

- Service Conditions
  - Customer is required take Reliability Coordination Service under Part I of Module F
  - Customer cannot be a signatory to the ISO Agreement
  - Customers would be subject to all Modules of the Midwest ISO Tariff, except Module B that deals with traditional Order No. 888 transmission service.
  - Customer would be required to adopt, in its transmission tariff, provisions referencing the Midwest ISO EMT that would enable the Midwest ISO to provide this service and that would be required to be consistent with, or superior to, the *pro forma* provisions included in Attachment MM of the Tariff.
  - Customers would be required to execute the Ancillary Services Market Balancing Authority Agreement.

Key Features of Part III - Market Coordination Services

- Eligibility – Customer Interconnection Requirements
  - Interconnected with the facilities of a Transmission Owner;
  - Interconnected with the facilities of another Market Coordination Customer; or
  - Interconnected with the facilities of a Congestion Management Customer that offers a transmission service that is adequate to enable the Midwest ISO to provide security-constrain economic dispatch (“SCED”).

Key Features of Part III - Market Coordination Services

- Applicability of FTRs AND ARRs
  - Customers will receive FTRs and ARRs on the same basis as Midwest ISO members.
- Recognition of Grandfathered Agreements
  - Some of these arrangements will have to be reformed as a precondition to receiving service under Part III of Module F.