



NEWS

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Electricity cost-saving power line is approved by PSC; first of its kind in the Midwest

ATC gets approval for high-voltage connection to regional generation sources

MADISON, Wis. – Following a year-long regulatory review, the Public Service Commission of Wisconsin gave American Transmission Co. its verbal approval today to move forward with the construction of the Paddock-Rockdale project, a new high-voltage electric transmission line in south central Wisconsin. The new, 35-mile line, to be built largely on existing right-of-way, will extend an existing connection to Illinois and allow local electric distribution companies access to lower-cost power produced in the region. The savings will be passed on to end-use electricity customers under PSC regulations.

“This is the first transmission line project within the footprint of the Midwest Independent System Operator that is driven by economics,” said Randy Satterfield, ATC vice president of Public Affairs. “Although enhanced reliability will be a by-product of the project, the primary benefit of this transmission line to the south comes from the ability of local electric utilities to benefit economically from the wholesale electricity market. This additional high-voltage connection will remove a significant constraint and enable access to lower-cost power in the region—and that translates to savings for electricity consumers.”

As a net importer of electricity, Wisconsin utilities will gain flexibility in the wholesale market with the construction of the new 345-kilovolt line. “The state’s electricity generators generally produce less power than is used; the balance—about 15 percent on average—is imported from areas around the region. On any given day, it’s not necessarily a matter of generation capacity,” explained Flora Flygt, director of Planning for ATC. “It’s a matter of economics. Sometimes the best price and availability on electricity is outside the state.”

According to Flygt, getting the best deal on power is largely dependent on the transmission system. “Wisconsin utilities have been at a disadvantage compared to neighboring states because of the limited number of transmission line connections to other states,” she said. “As the wholesale market and competition continues to evolve, it becomes even more critical that Wisconsin utilities can get cheap power or power from renewable resources for their customers.”

Justifying the project economically came down to the numbers, explained Satterfield. “Almost without exception, the scenarios and models we evaluated demonstrate cost savings sufficient to cover the \$133 million cost of the project,” he said. Except for a slow economic growth scenario, (highly unlikely to persist for the entire 40-year life of the line) the present value potential of the net benefits as a result of constructing the Paddock-Rockdale project ranges from \$82 million to \$1.8 billion. The aggregate annual benefits available for all scenarios range from \$7 million to \$133 million.

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The line will be built on an existing transmission line right-of-way between the Rockdale Substation in the Town of Christiana in Dane County and the Paddock Substation located in the Town of Beloit in Rock County. The existing transmission lines that extend south out of the Paddock Substation into Illinois create a path for importing power into Wisconsin.

The state's major utilities including Alliant Energy, Madison Gas & Electric, Wisconsin Public Service Corp., and We Energies, along Wisconsin Public Power Inc., testified in support of the project during PSC hearings earlier this year. "We know those benefits are real, and ATC's modeling does demonstrate that the project will clearly be economically justified," said Steve Kraus, MGE spokesperson. "MGE's ratepayers will benefit if we can increase the number of high-voltage transmission lines linking Wisconsin to our neighboring states."

Traditional transmission line projects have largely focused on reliability needs and weaknesses on the transmission system. Flygt said the recent restructuring of wholesale electric markets has highlighted the need for economic considerations to be a driving force in transmission planning as well. "An access project like Paddock-Rockdale, by reducing transmission congestion and increasing transfer capacity, will positively enhance wholesale generation competition."

"Timing is important. Our in-service target is 2010, which coincides with the expiration of some of the federal market protection for Wisconsin utilities that have been in place since the market was introduced in 2005," explained Flygt.

Over the life of the transmission line, the savings include:

- Reduced generation costs, including fuel. This gives utilities flexibility when fuel prices fluctuate and allows utilities to choose from a greater array of regional generation options.
- Reduced energy losses. High-voltage lines are more efficient and experience lower losses compared to lower-voltage lines.
- Increased market competition. A more competitive market will help control and lower prices compared to a market where power purchase choices are limited.

Note to editors: A map and additional information on the Paddock-Rockdale project is available at www.atc-projects.com

ATC's other proposal for a 345-kilovolt line between the Rockdale Substation and the West Middleton Substation in the town of Middleton (Rockdale – West Middleton project) is under regulatory review. A decision on the project is expected sometime in 2009.

ATC owns, operates, builds and maintains the high-voltage electric transmission system serving portions of Wisconsin, Michigan, Minnesota and Illinois. Formed in 2001 as the nation's first multi-state transmission-only utility, ATC has invested \$1.7 billion to improve the adequacy and reliability of its infrastructure. ATC now is a \$2.2 billion company with 9,350 miles of transmission lines and 500 substations. The company is a member of the Midwest ISO regional transmission organization, and provides nondiscriminatory service to all customers, supporting effective competition in energy markets without favoring any market participant. For more information, visit our Web site at www.atcllc.com.

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