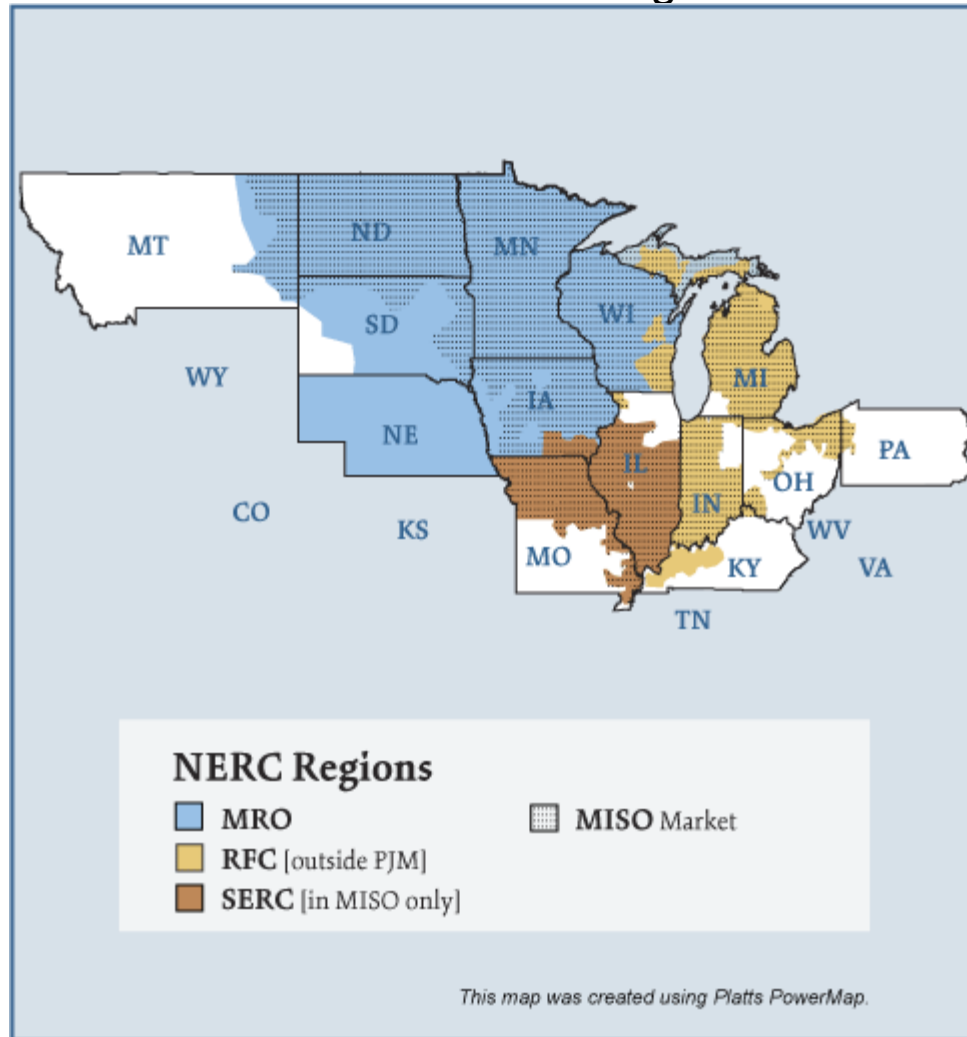


### Midwest Electric Regions



## Overview

### Geography

States covered: All or most of North Dakota, South Dakota, Nebraska, Minnesota, Iowa, Wisconsin, Illinois, Indiana, Michigan and parts of Montana, Missouri, Kentucky, and Ohio.

Reliability regions: Midwest Reliability Organization (MRO), Southeastern Electric Reliability Council (SERC) and Reliability *First* Corporation (RFC)

(These regions were formerly: East Central Area Reliability Coordination Agreement (ECAR), Mid-America Interconnected Network (MAIN), and Midcontinent Area Power Pool (MAPP) regions.)

Balancing authorities: See list on page 5.

### RTO/ISO

Midwest ISO (MISO) (established 2002) administers a two-settlement (day ahead and real-time) energy market known as the Day-2 market. It produces hourly locational marginal prices that are rolled up into 5 regional hub prices. MISO also administers a monthly financial transmission rights (FTR) allocation and auction.

Midwest bilateral trading is active on the IntercontinentalExchange (ICE) at the Cinergy Hub and Northern Illinois Hub.

### Interconnections/Seams

Since the start of the Day-2 market on April 1, 2005, persistent transmission constraints in the Wisconsin and the Upper Peninsula of Michigan (WUMS) and Minnesota areas have caused their prices to diverge from other areas of MISO, usually at times of high loads or decreased generation supply.

Federal Energy Regulatory Commission • Market Oversight @ FERC.gov

**Generation/Supply (MISO only)**

Marginal fuel type: Coal

Generating capacity (summer 2006): 137,232 MW

Capacity reserve (summer 2006): 21,025 MW

Reserve margin (summer 2006): 18%

**Demand (MISO only)**

All time peak demand: 116 GW (set July 31, 2006)

In summer of 2006, demand reached record levels on several occasions due to extremely hot weather.

Peak demand growth: 3.4% (2006-2005)

Summer Peak Demand (GW): 112.2 (2005) 116 (2006) *Source: Derived from MISO Data*

**Prices (MISO only)**

Annual Average Day-Ahead Price at Cinergy Hub: \$50.54/MWh (2005) \$41.09/MWh (2006)

Prices increased in 2005 as a result of disturbances to the natural gas market. Prices declined in 2006 as natural gas storage levels remained above historical ranges throughout the injection season (April through October).

## Focal Points

**Day-2 Operations:** The Midwest Independent System Operator (MISO) started Day-2 market operations on April 1, 2005. This is the date that real-time market operations began and MISO began centrally dispatching wholesale electricity and transmission service throughout much of the Midwest. The market produces Locational Marginal Prices (LMP) for five-minute intervals at numerous locations throughout the MISO market footprint. These prices are aggregated into five hub prices that provide participants with price indices. These regional pricing points are the Minnesota, Michigan, Illinois, Cinergy and First Energy hubs. LMP and hub prices give participants better market information than was previously available.

**Minnesota Price Volatility:** Minnesota hub prices have been volatile over the past year, at times moving significantly above or below other MISO hubs. Possible contributing factors were long-term generator outages and derates due to maintenance, a supply of large baseload units, higher than expected summer temperatures, and decreased imports into the Minnesota region.

**LGE, KU withdraw:** On September 1, 2006 Louisville Gas & Electric (LG&E) and Kentucky Utilities Company (KU) withdrew from MISO. These entities are owned by E.ON U.S. and are now considered Non-Transmission Owning Members of MISO. The withdrawal effectively removed their assets (load, generation and transmission lines) from MISO dispatch and control. The Kentucky Public Service Commission approved the Tennessee Valley Authority (TVA) to be their Reliability Coordinator and the Southwest Power Pool (SPP) to be their independent transmission organization. LG&E and KU engage in market transactions in MISO as any other Non-Transmission Owning Member. MISO no longer produces Locational Marginal Prices for any LG&E or KU points.

## Balancing Authorities in the Midwest Electric Market

Regional Reliability Council and Balancing Authority	NERC Acronym	MISO Member
<b>MRO</b>		
Alliant Energy - CA – ALTE	ALTE	Yes
Alliant Energy - CA – ALTW	ALTW	Yes
Dairyland Power Cooperative	DPC	
Great River Energy	GRE	Yes
Lincoln Electric System	LES	Yes
Madison Gas and Electric Company	MGE	Yes
MHEB, Transmission Services	MHEB	Yes
MidAmerican Energy Company	MEC	
Minnesota Power, Inc.	MP	Yes
Muscatine Power and Water	MPW	
Nebraska Public Power District	NPPD	
Northern States Power Company	NSP	Yes
Omaha Public Power District	OPPD	
Otter Tail Power Company	OTP	Yes
SaskPower Grid Control Centre	SPC	
Southern Minnesota Municipal Power Agency	SMP	Yes
Upper Peninsula Power Co.	UPPC	
Western Area Power Administration - Upper Great Plains East	WAUE	
Wisconsin Public Service Corporation	WPS	Yes
<b>RFC</b>		
Cinergy Corporation	CIN	Yes
City Water Light & Power (Springfield, IL)	CWLP	
DECA, LLC – Vermillion	DEVI	
First Energy Corp.	FE	Yes
Hoosier Energy	HE	Yes
Indianapolis Power & Light Company	IPL	Yes
LG&E Energy Transmission Services	LGEE	
Michigan Electric Coordinated Systems	MECS	Yes
Northern Indiana Public Service Company	NIPS	Yes
Ohio Valley Electric Corporation	OVEC	
Southern Indiana Gas & Electric Co.	SIGE	
Wisconsin Energy Corporation	WEC	
<b>SERC</b>		
Ameren Transmission	AMRN	Yes
Illinois Power Co.	IP	Yes
Central Illinois Light Co	CILC	Yes
Southern Illinois Power Cooperative	SIPC	Yes
Columbia Water & Light	CWLD	Yes
<b>SPP</b>		
Aquila Networks - MPS	MPS	Yes

## MISO Electric Market: Supply and Demand

## Supply and Demand Statistics for MISO

<b>Supply Demand Statistics</b>			
	2004 (2)	2005	2006 (1)
Summer Generating Capacity MW	NA	136,402	137,232
Summer Peak Demand MW	101,538	112,197	116,207
Summer Reserves MW	NA	24,205	21,025
Summer Reserve Margin:	NA	22%	18%
Annual Load (GWh):	569,475	607,474	NA
Annual Net Generation GWh	NA	NA	NA

Footnote (1)/ This includes LG&E and KU. LG&E and KU left the MISO market on 9/1/2006

Footnote (2)/ The MISO Day-2 market did not exist in the summer of 2004

## MISO Electric Market: Prices

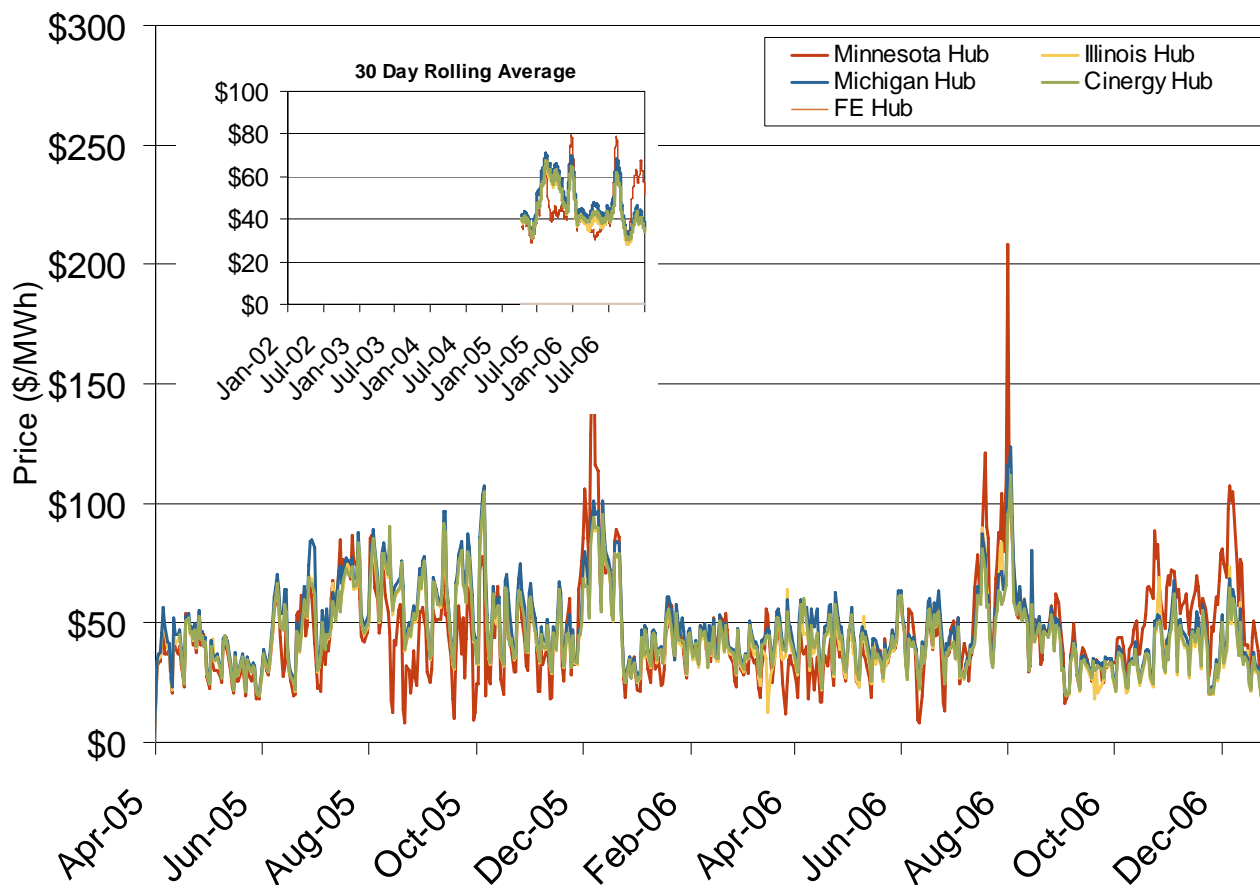
## Yearly Average of RTO DA Prices -- All Hours

**Annual Average Day Ahead Prices (\$/MWh) (MISO only)**

	<b>2005</b>	<b>2006</b>
Minnesota Hub	\$46.34	\$44.83
Cinergy Hub	\$50.54	\$40.44
Illinois Hub	\$50.06	\$39.83
Michigan Hub	\$53.81	\$43.40

MISO Electric Market: Prices

# Daily Average of MISO Day-Ahead Prices - All Hours



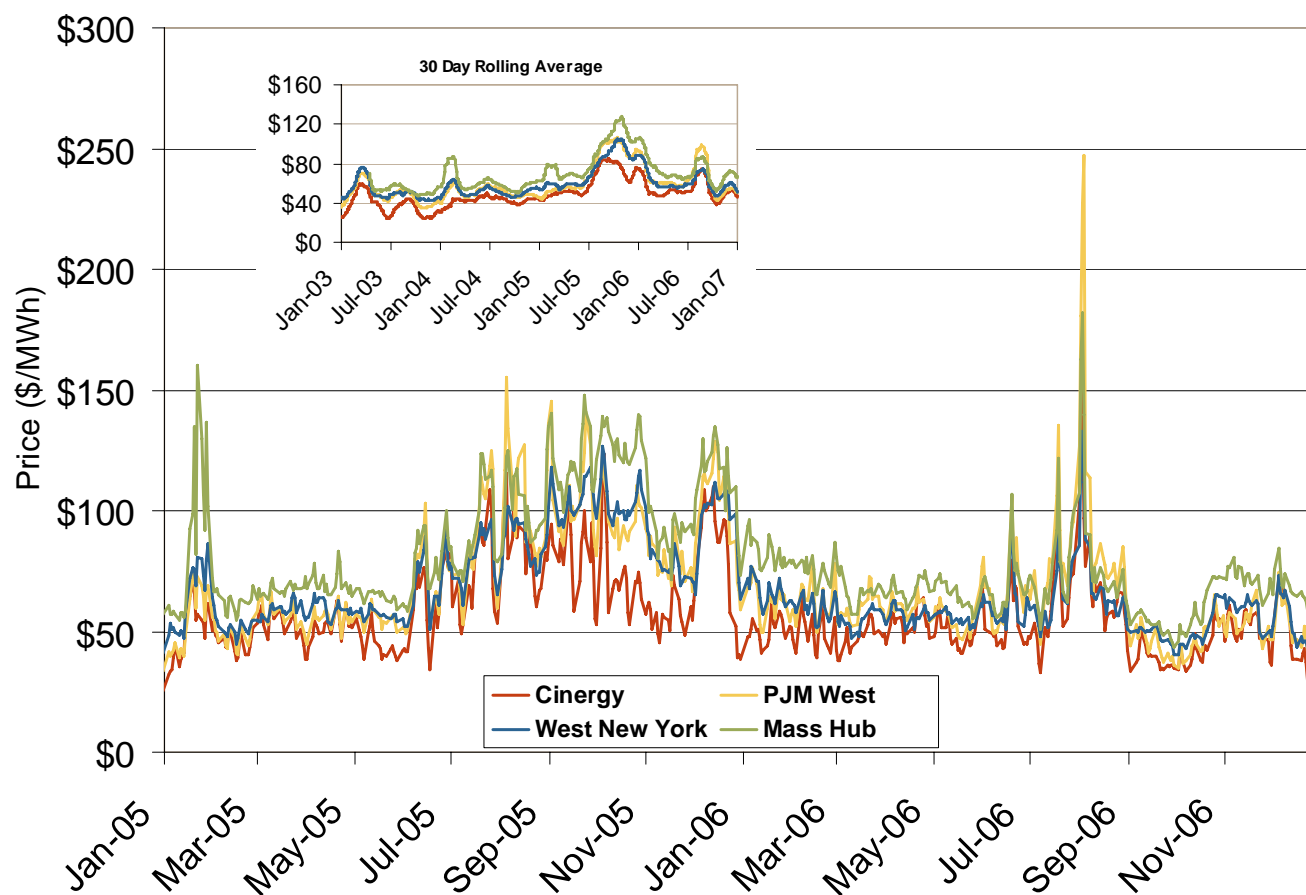
Source: Derived from MISO data.

Updated January 16, 2007



## MISO Electric Market: Prices

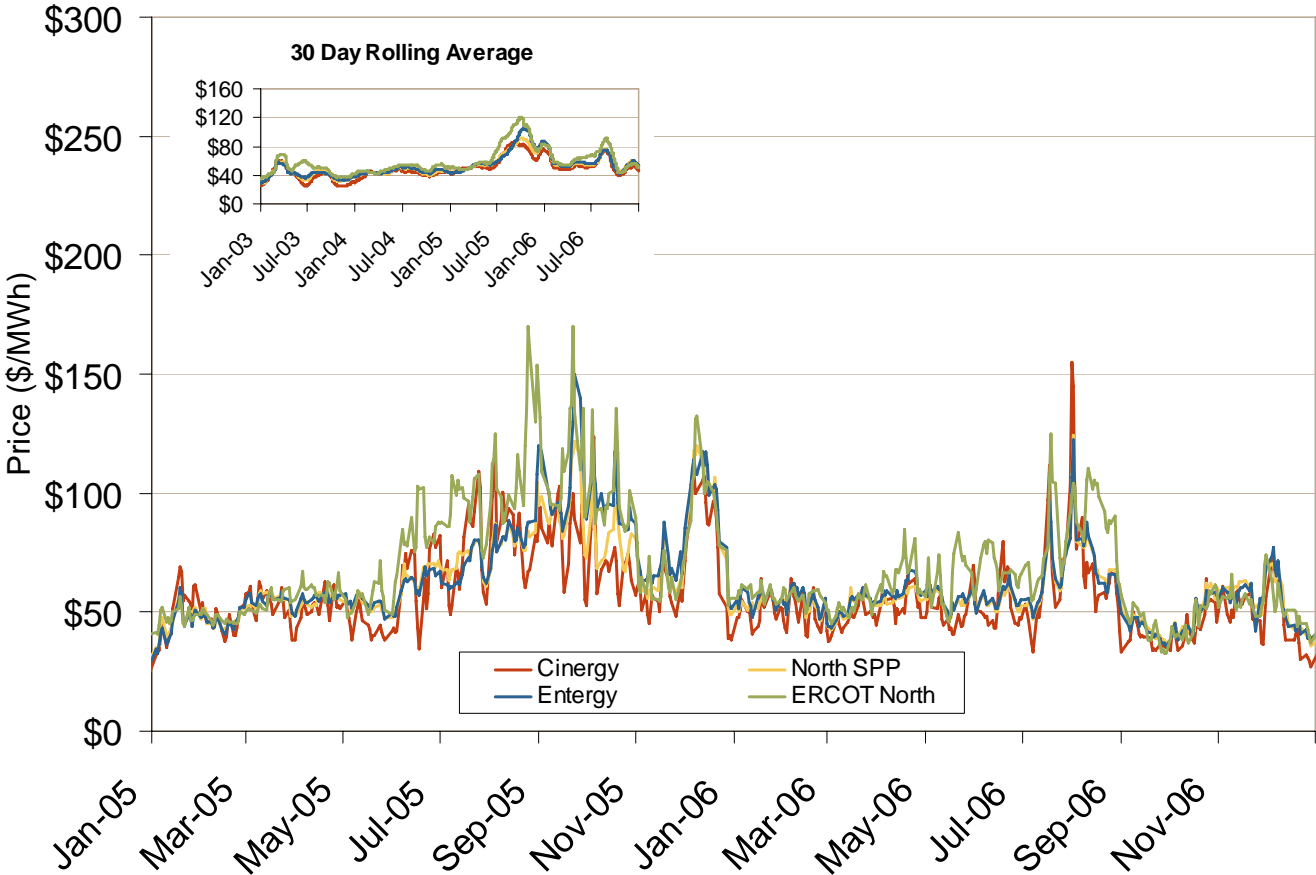
## Eastern Daily Bilateral Day-Ahead On-Peak Prices

Source: Derived from *Platts* data.

Updated January 16, 2007

Midwest Electric Market: Prices

# Midwestern Daily Bilateral Day-Ahead On-Peak Prices

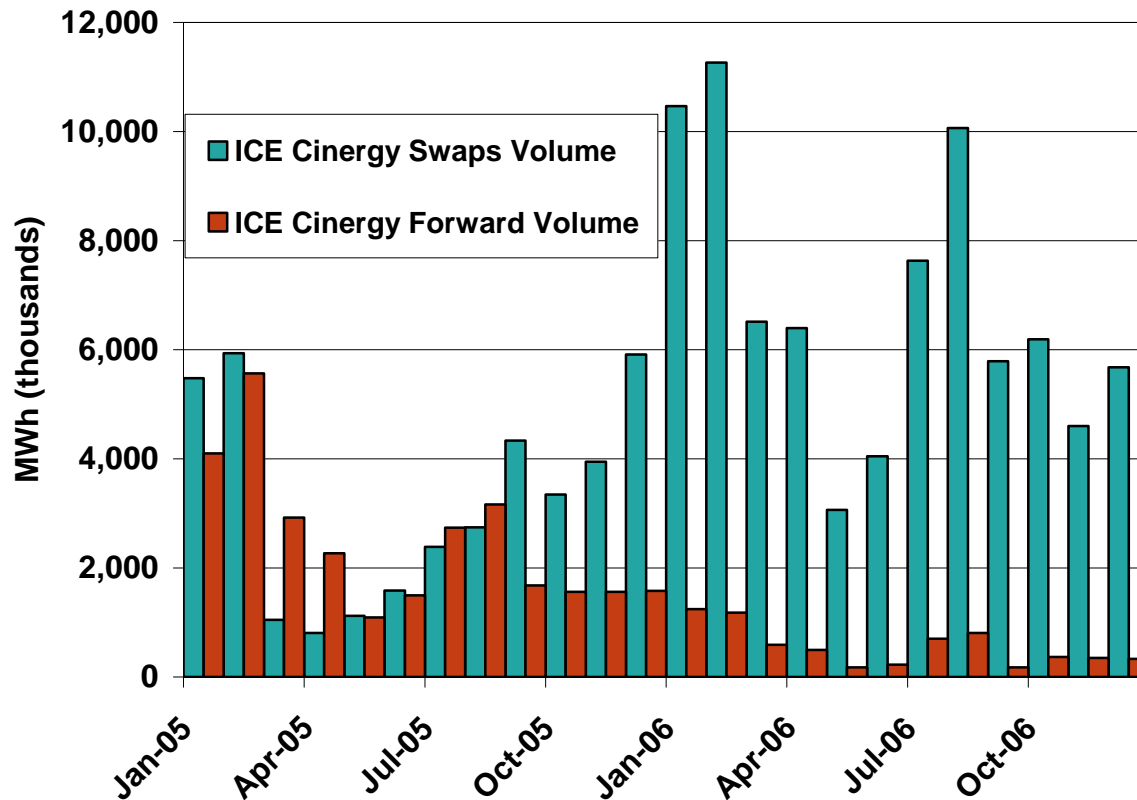


Source: Derived from Platts data

Updated January 16, 2007

MISO Electric Market: Financial Market Volumes

# Cinergy Forward and Swap Volumes



Source: Derived from ICE data. ICE on-peak forward and swap volumes are for the Cinergy Hub and include monthly, dual monthly, quarterly, and calendar year contracts traded for each month.