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FERC Removes Barriers to Development of Needed Transmission in Midwest Region

The Federal Energy Regulatory Commission (FERC) today approved a proposal that removes barriers to the development of much-needed transmission that will help maintain the reliability of the transmission grid and deliver cleaner and cheaper energy to consumers across the Midwest.

The proposal, offered by the Midwest Independent Transmission System Operator Inc. (Midwest ISO) and its stakeholders, is intended to enable the region to comply with energy policy mandates and to address reliability and economic issues affecting multiple transmission zones within the region. This proposal improves Midwest ISO's ability to ensure that the costs of transmission projects with regional benefits are properly assigned to those who benefit.

Midwest ISO proposes to create a new category of transmission projects, called "multi value projects," to recognize the regional benefits of qualifying transmission projects for the purpose of cost allocation. Under the proposal, Midwest ISO will review each proposed multi value project on its own to ensure that it supports a public policy requirement or that it addresses reliability and/or multiple economic issues in multiple transmission zones. 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 commensurate with the costs incurred.

"Cost allocation reform is one of the most difficult issues facing transmission service providers and regional market operators," FERC Chairman Jon Wellinghoff said. "This bottom-up proposal was developed to help support the region's electricity needs, and it came to FERC through a 19-month stakeholder process within the Midwest ISO. I commend the hard work of all the stakeholders, and in particular all the state commissioners, in the region."

FERC conditioned today's approval of the proposal on the Midwest ISO removing language that would implement an export charge for transmission to the PJM Interconnection L.L.C. region located to the East of the Midwest ISO. The Commission said such a charge would inappropriately reimpose the pancaked transmission rates that were eliminated years ago between the two market areas. The proposal also provides for generator interconnection projects to share the costs of network upgrades on which they mutually rely and otherwise retains the cost allocation for network upgrades needed for generator interconnection projects, which was accepted by the Commission in October 2009.

The Midwest ISO manages the wholesale electricity market in a part of the Midwest that includes 13 states and the Canadian province of Manitoba.

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