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Energizing the Heartland

IURC
Summer Reliability

May 12, 2009

Discussion Outline

- Enhancements Since Last Year
  - Ancillary Service Market
  - Resource Adequacy / Module E
- Historical Context
  - Load Levels
  - Resources Available
  - Reserves Available
- 2009 Summer Assessment
  - Establishing Planning Reserve Margin Requirements
  - Meeting Planning Reserve Margin Requirements
- Value Proposition Update

Ancillary Service Market operations have reduced requirements and added value

- Launched January 6, 2009
- Initial savings results (1st four months) have exceeded forecast results
  - Total Estimated Value = $212 Million per year
  - Regulation: ($165 Million)
    - Requirement reduced from 1,188 MW to 464 MW (724 MW)
    - Annual cost reduced $55.5 million
    - Energy production cost reduced $109.5 million per year
  - Spinning Reserves: ($47 Million)
    - Energy production cost reduced $46.6 million per year
    - In addition to the savings gained from the implementation of the Contingency Reserve Sharing Group
- Execution against NERC Controlled Performance Standards are consistent with Pre-ASM operations

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Resource Adequacy / Module E has changed the way Planning Reserve Margins requirements are established

- Midwest ISO sets Planning Reserve Margin requirement
  - Loss of Load Expectation Study – 1 day in 10 years
  - Considers unique characteristics of footprint
- Load Serving Entities demonstrate compliance through submission of regular forecasts and resource plans
- Financial settlement charge for Load Serving Entities with insufficient capacity
  - Calculated annually by Midwest ISO and Independent Market Monitor
  - Based on Cost of New Entry (CONE)
    - Set at $80,000 per MW-month for initial planning year
- States are responsible for enforcement

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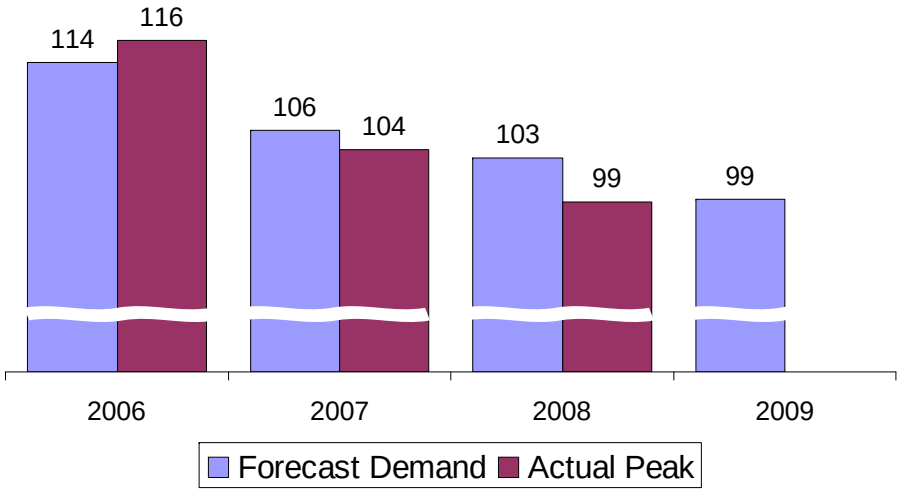
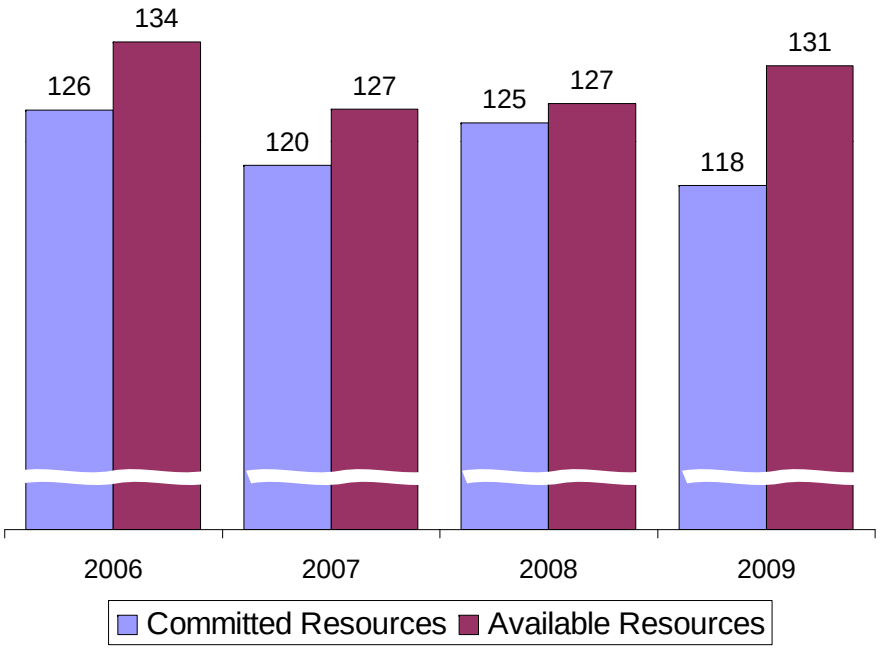
Midwest ISO demand has declined while capacity has been relatively stable

Midwest ISO Peak Demand
(in GWs)



Midwest ISO Resources
(in GWs)



Note: Available resources includes 100% of nameplate capacity for all resources, including wind.

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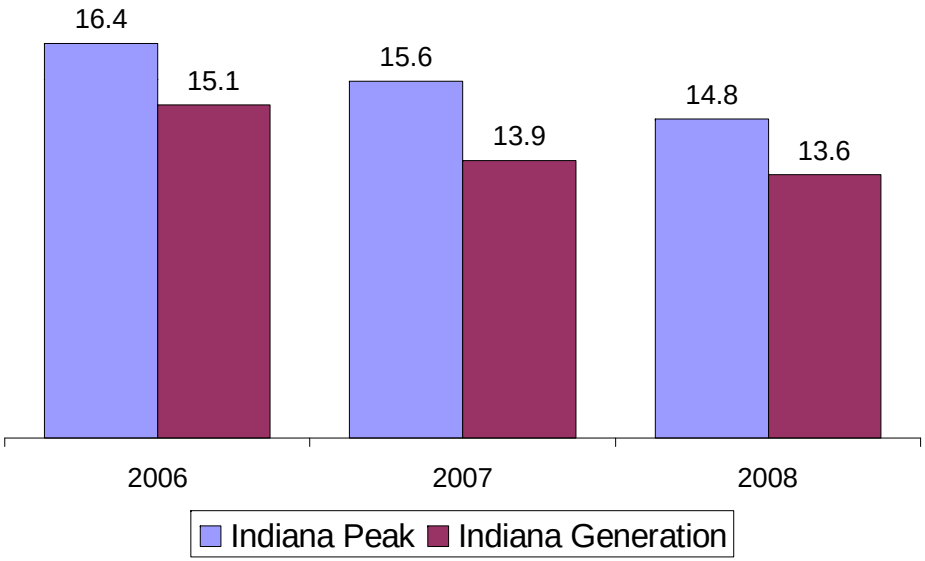
Indiana continues to benefit from importing resources from outside the state

Indiana's Supply and Demand
(at Midwest ISO Peak)
(in GWs)



	2006	2007	2008
Net Imports at Peak (GWs)	1.3	1.7	1.2
Net Imports as % of Demand	8%	11%	8%

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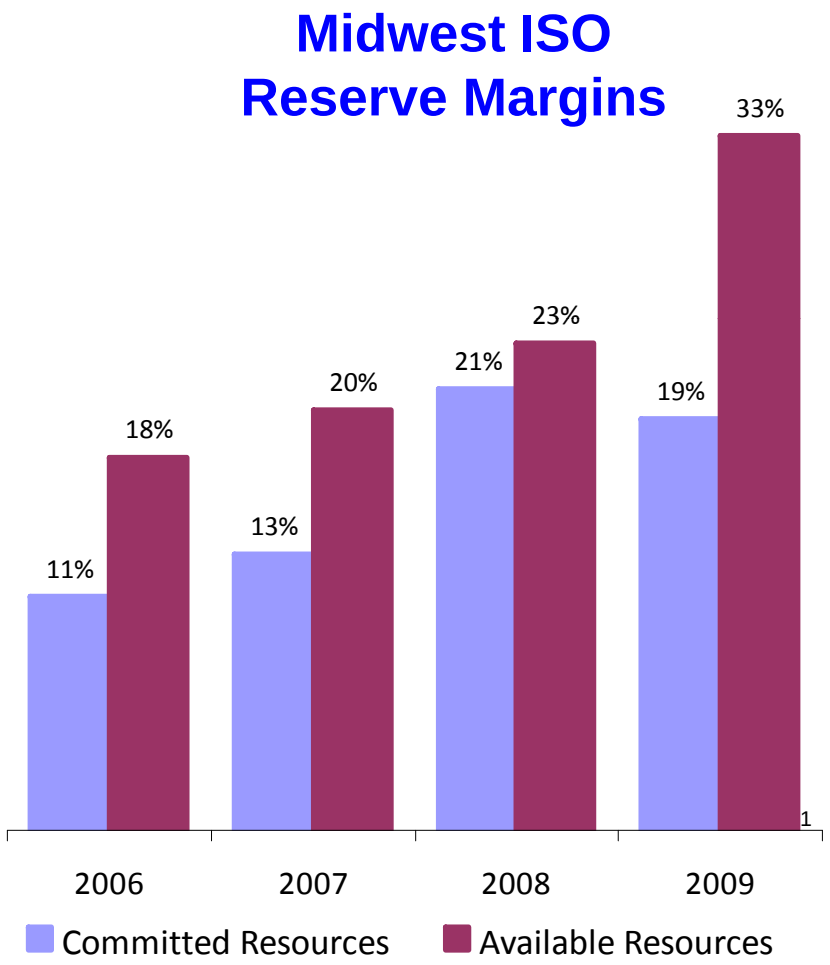
The Midwest ISO reserve margins are improving – in terms of both committed resources and available resources



Note: Available Resources includes 100% of nameplate capacity for all resources including wind.)

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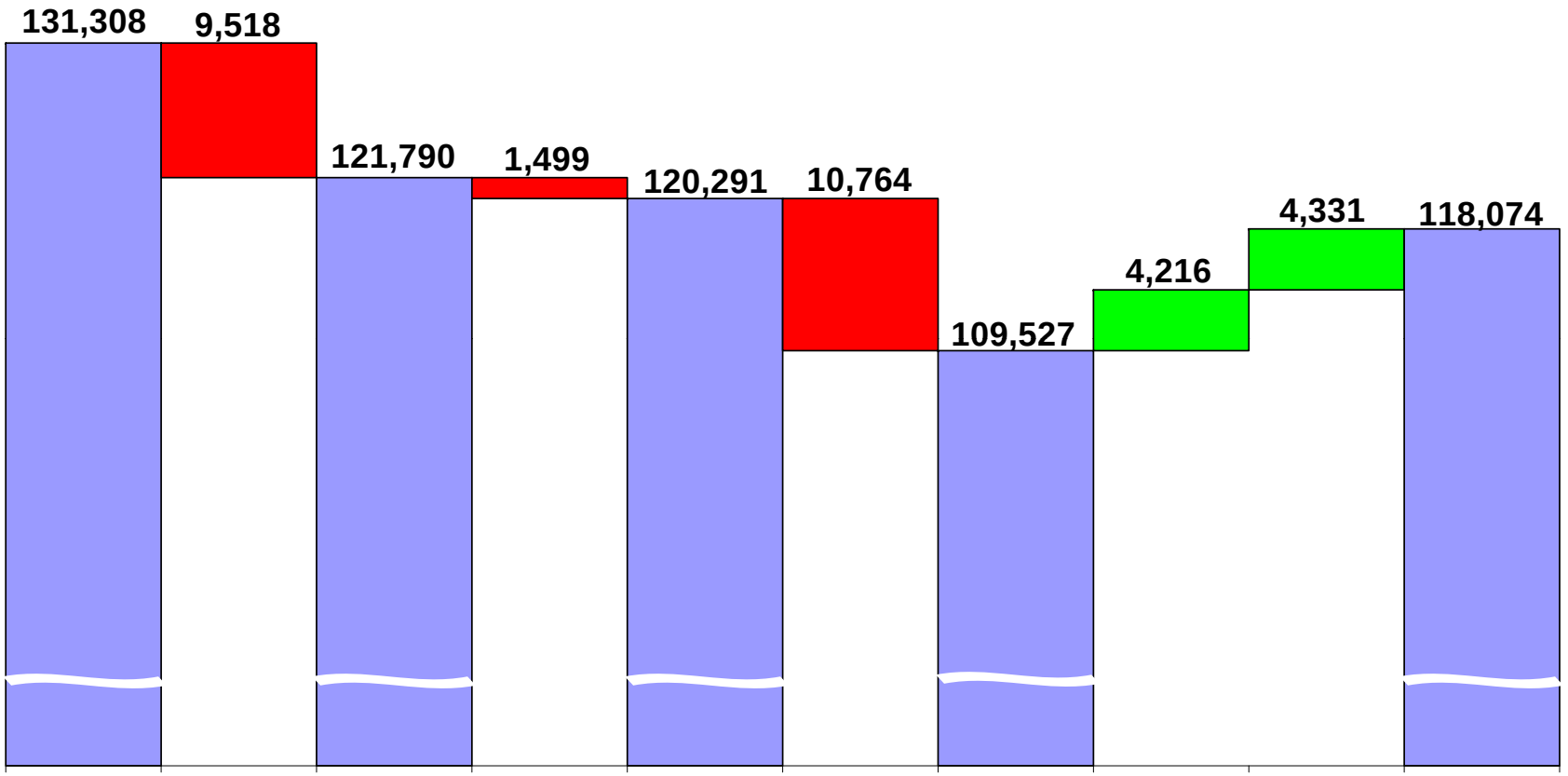
The Planning Reserve Margin (PRM) Requirements were established via a Loss of Load Expectations (LOLE) Study

- Parallels work done by Purdue University's State Utility Forecasting Group
- Uses a 1 day in 10 years Loss of Load Expection criteria
- Considers the unique characteristics of the Midwest ISO footprint
  - 2.35% - Load Diversity Factor
    - Based on the lowest actual diversity in the past four years
    - In comparison, the past four year average is 4.41%
  - 6.514% - System-wide average Equivalent Forced Outage Rate

Planning Reserve Margin Requirements reconcile with Unforced Capacity Resources

- System Planning Reserve Margin Requirements
  - 15.4% of Installed Capacity
    - Midwest ISO's footprint coincident peak
  - 12.7% of Installed Capacity
    - Midwest ISO Load Serving Entities' non-coincident peak; accounts for load diversity in the footprint
  - 5.35% of the System's Unforced Capacity
    - Average forced outage rate of the system-wide supply resources (including demand response)
    - Equitable distribution of reserve requirement across generation fleet with varying outage rates
- Load Serving Energy (LSE) Planning Reserve Margin Requirements
  - 5.35% of Unforced Capacity of each LSE's Committed Resources
    - Forced outage rates of the specific resources committed

Midwest ISO Resource Overview - 2009



	Installed Capacity of Resources	Unit Derates	Maximum Offer Capacity	Planned Outages	Effective Dispatch Capacity	Uncommitted Resources	Internal Capacity Resources	Behind-the-Meter Generation	Committed External Resources	Committed Resources
2009	131,308	9,518	121,789	1,499	120,291	10,764	109,527	4,216	4,331	118,074
2008	127,204	8,486	118,718	1,686	117,032	1,772	115,260	3,442	6,291	124,993
2007	127,906	6,269	121,637	1,357	120,280	N / A	120,280	4,126	8,034	132,440

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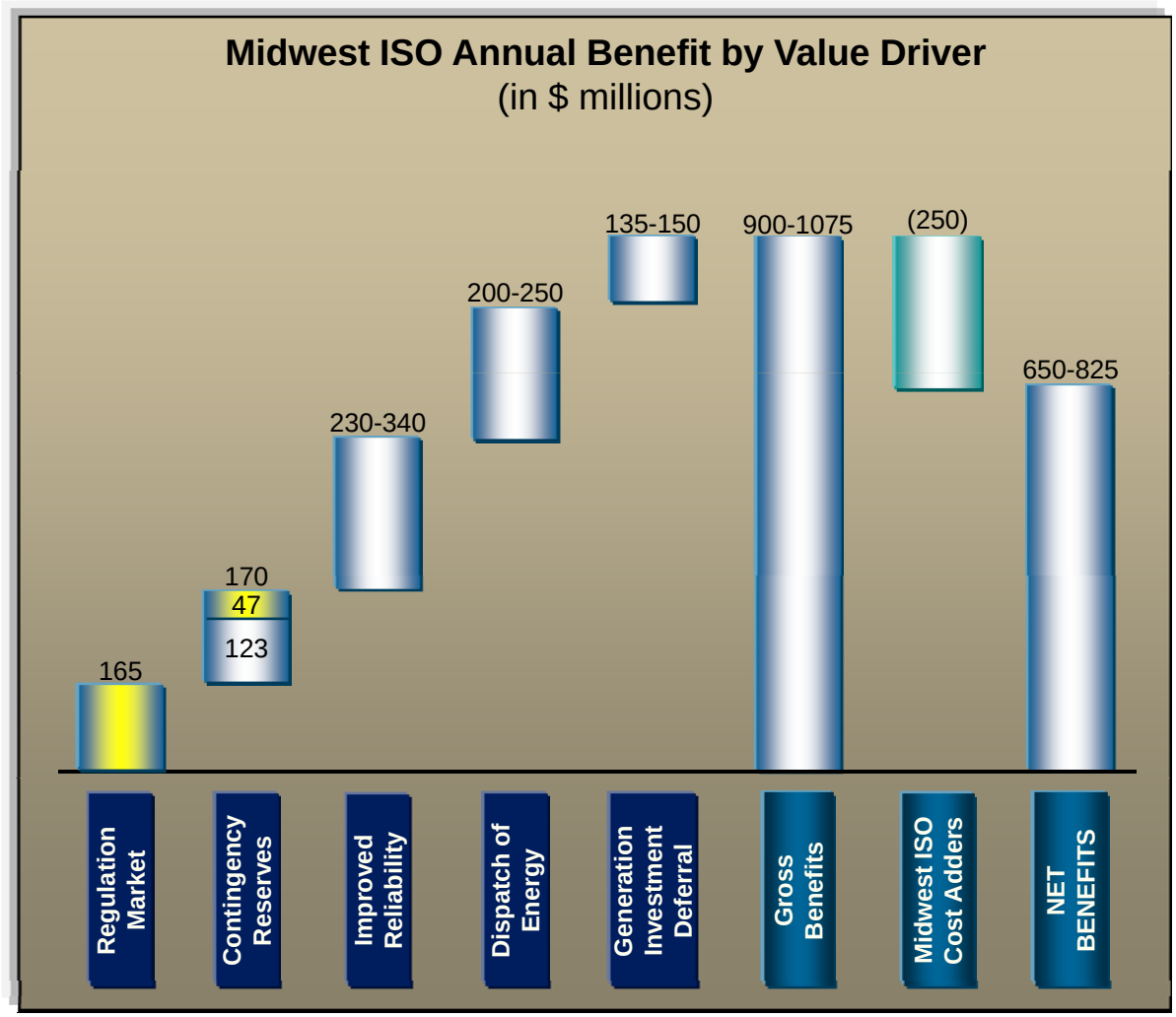
Midwest ISO Value Proposition
- Preliminary Update Based on ASM Results to Date



Qualitative Value Drivers

- Price Transparency
- Data / Informational Transparency
- Planning Coordination
- Seams Management
- Regulatory Compliance
- Wholesale Platform for Demand Response
- Wholesale Platform for Renewable Portfolio Standards

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