



Midwest Governor's Association

September 16, 2014

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HOOSIERENERGY



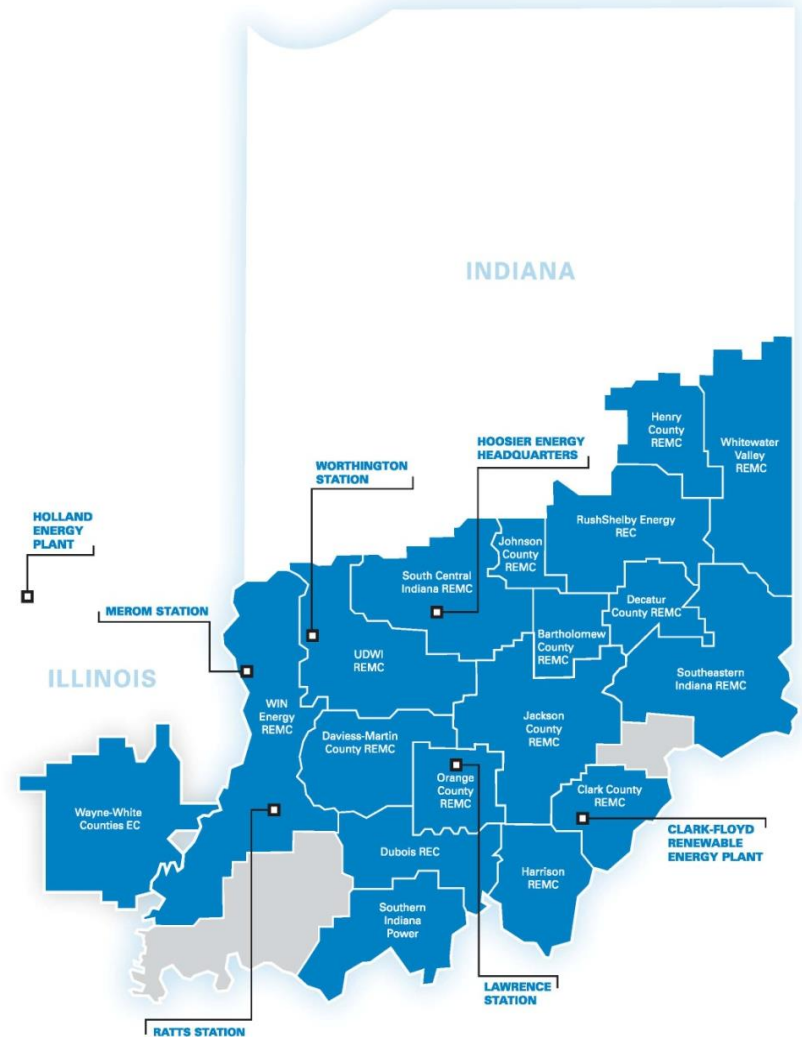
ANNIVERSARY / 2014

Cooperatives

- **What makes a co-op different?**
 - **Consumer-owned**
 - **Focused on reliability, affordability and member services**
 - **Serve rural areas; lack of density creates cost pressures**
 - **Retail rates are generally comparable to IOUs**

Background

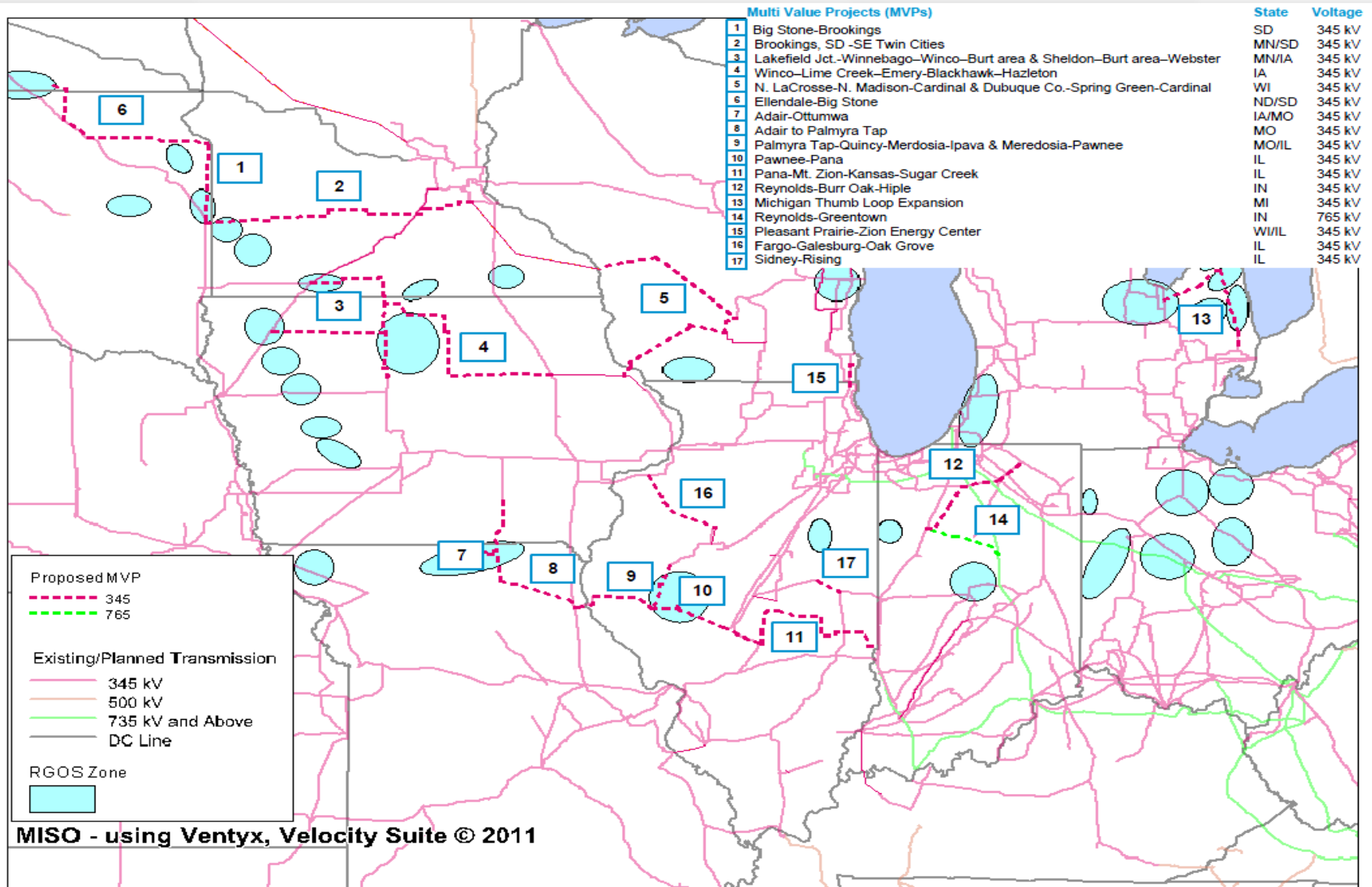
- **Membership**
 - 18 member cooperatives
 - ~300,000 retail customers
 - 7.3 million MWh sales
- **Generation**
 - 1,950 MW of capacity
 - 6.7 million MWh
- **Transmission**
 - 1,700 miles of transmission
 - Load off 6 other systems
 - Founding TO member of MISO



Regional Transmission Challenges

- **Cost/Benefit Analysis**
 - Thresholds are low
 - Costs are real and sometimes understated
 - Benefits are modeled; based upon forecasts and subject to change
 - Process to reassess projects that are over budget
- **Cost Allocation**
 - Cost should follow benefits
 - Participated in MVP petition to the Supreme Court
- **Transmission Construction Costs (MISO)**
 - 2014: ~\$3.2 million
 - 2019: ~\$8.5 million (based upon MISO forecasts)

MISO MVP Portfolio

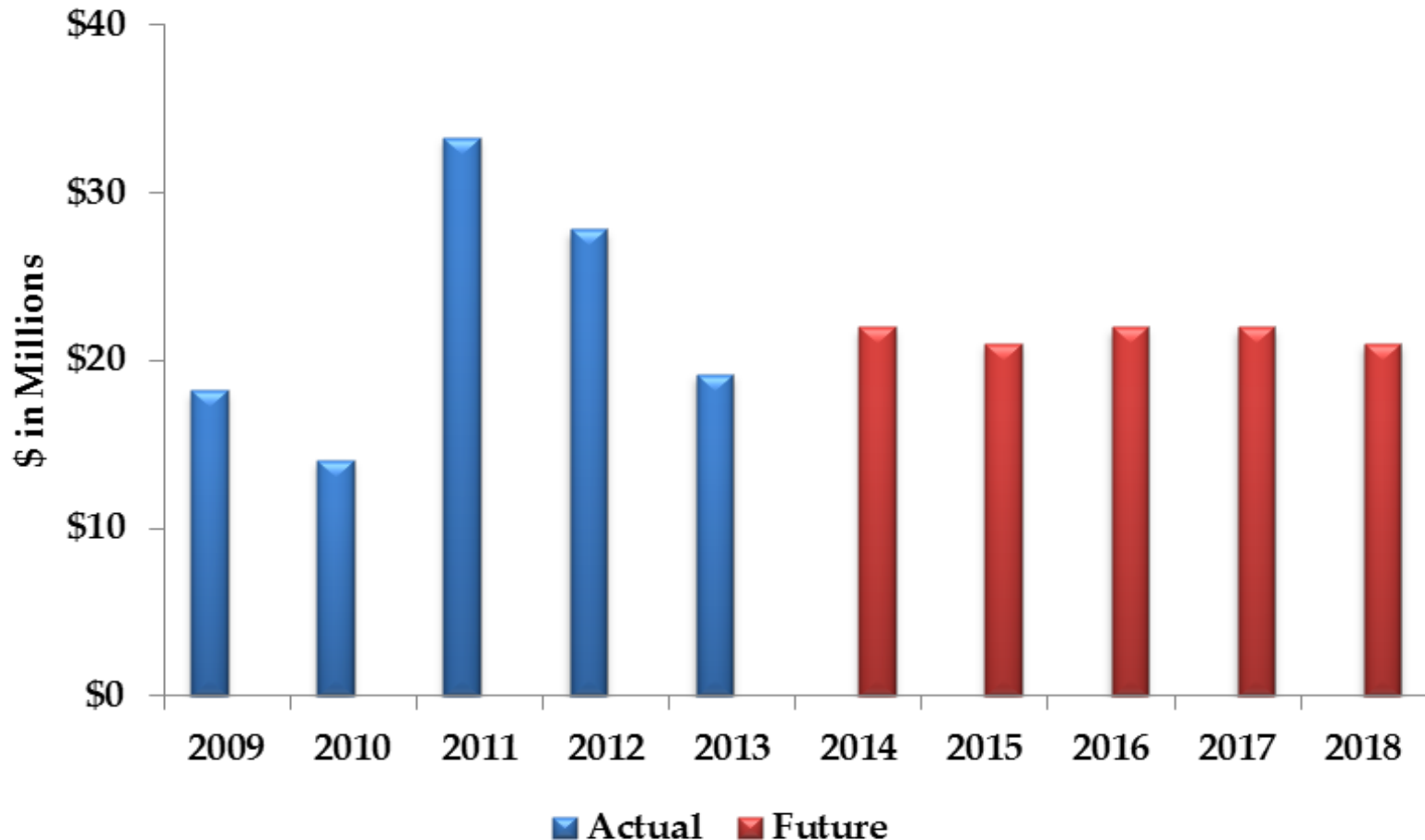


Impact of MVP Portfolio

- **Proximity to Hoosier Energy's service area**
 - **Project #11 – Illinois Rivers project**
 - Terminus is near northwestern edge of service area; concern with the potential for increased congestion in already congested area
 - **Project #14 (Reynolds to Greentown)**
 - Link to 765kV system could be beneficial
 - Others far removed from HE system; provide little benefit
- **MISO MVP estimates updated in April 2014**
 - Now \$5.86 billion - \$300 million increase from initial estimate
 - Over 5% increase
 - Only 1 project complete, 2 underway, 14 pending
 - Impact to Hoosier is ~\$7 million annual cost in 2019

Transmission Investment

- Hoosier Energy continues to invest in the transmission system for growth, reliability and security



FERC Order 1000

- **MISO is regional planning participant**
- **Federal Right of First Refusal (ROFR)**
 - Allows incumbent utilities an exclusive right to build
 - Included in the MISO Transmission Owners' Agreement
 - Required for many utilities to join MISO
- **Order 1000 removed the ROFR**
 - Applies to transmission facilities selected in RTO plan
 - Does not apply to transmission upgrades
 - Does not require competitive bidding
 - Does not affect state or local laws

Indiana Senate Enrolled Act No. 94

- **Worked with Indiana Electric Cooperatives and other Indiana utilities to pass in the 2013 Indiana legislative session**
- **“Limited” ROFR**
 - Applies to reliability projects that interconnect with existing facilities or upgrades
 - Projects required by RTO, RRO or NERC
 - Does not apply to MISO MVPs and MEPs
- **Future expansion of the ROFR?**
 - Not pursuing but would support
 - Incumbent utilities are “closer” to the customers
 - Regulated by Indiana commission and/or
 - Serve Indiana retail customers

Questions?
