

Electricity



MISO Efforts to Improve Market Performance

1. MISO operates a day-ahead market for electricity, a real-time market for electricity and a Financial Transmission Rights market.
2. MISO plans to develop markets for two ancillary services – contingency reserves and regulation.
3. MISO wants to integrate these new markets into the current energy markets.

MISO Efforts to Improve Market Performance

1. A MISO study reports that coordinated commitment and dispatch of ancillary services with the MISO energy markets could result in total annual gross benefits ranging from \$113 to \$208 million.
2. Implementation requires one-time costs of between \$36 and \$63 million, and on-going annual operating costs of between \$8 and \$20 million.

PJM Efforts to Improve Market Performance

1. PJM has proposed a new approach for a generation capacity market, called the Reliability Pricing Model (“RPM”). PJM has concern that there has not been sufficient investment in transmission, generation capacity or demand-side resources in a few areas (such as Washington, D.C., parts of New Jersey, Maryland and Virginia) that have persistent transmission constraints.
2. The RPM provides a process through which generation resources, transmission investments and demand-side resources compete in a four-year forward auction to satisfy system reliability requirements.

MISO Transmission Upgrades

1. Both the MISO and PJM conduct a Regional Transmission Expansion Planning process.
2. The 2005 MISO plan identified 615 planned or proposed facility additions or enhancements representing an investment of \$2.91 billion through 2009.

PJM Transmission Upgrades

Since 2000 PJM has authorized nearly \$2 billion of transmission system upgrades, of which \$524 million has already been completed. The total includes \$1.3 billion in reliability related upgrades and \$533 million in projects to interconnect new generation facilities.

Energy Policy Act of 2005 ("EPAct 2005")

1. Repealed the Public Utility Holding Company Act ("PUHCA") of 1935.
2. Established an Electric Reliability Organization under FERC's Jurisdiction.

EPAct 2005

(continued)

3. Created Incentive-Based Transmission Rates.
4. Federal Backstop of Siting for Interstate Electric Transmission Facilities.
5. Amended the Public Utility Regulatory Policies Act of 1978 (“PURPA”).

IURC Responsibilities Under “PURPA”

1. Net Metering
2. Interconnection
3. Smart Metering
4. Fuel Diversity
5. Fossil Fuel Efficiency

IURC Actions

1. Net Metering and Interconnection Rules Completed.
2. The IURC has gathered information from utilities on fuel diversity and fossil fuel efficiency.
3. IURC initiated an investigation on July 21, 2006 to consider time based metering and communication.

Merchant Plants

No applications from 2001 to 2006

26 were approved

15 rescinded , 1 inactive

10 operating, all gas units

Benton County Wind Farm

1. Filed petition June 2006
2. 130 MW of wind generation
3. Hearing set October 5, 2006

Certificate of Need Cases (Pending)

Duke Energy Indiana and Southern
Indiana Gas and Electric Company
filed for approval to construct a 630
MW Integrated Gasification
Combined Cycle generating facility.

(Cause 43144)

Certificate of Need Cases (Pending)

Both companies cited I.C. 8-8-8.8
("Senate Bill 29", 2002)

Which provides for the timely recovery of construction and operating costs for new energy generating facilities and clean coal projects that use Illinois basin coal; and provides for other financial incentives for coal gasification projects.

Environmental Spending for Indiana Electric Utilities

<u>Years</u>	<u>Cost (approximate)</u>	<u>Rule</u>
2001-2006	\$1.3 billion	NOx SIP Call
<small>(Source: Utility filings at the IURC)</small>		
2006-2015	\$1.6 billion	Clean Air Interstate Rule
2006-2018	\$159 million	Clean Air Mercury Rule

(Source: Indiana Department of Environmental Management estimates)

Fuel Costs for Indiana Electric Utilities

	2004 (\$/MW Hour)	2005 (\$/MW Hour)	Increase
IPL	12.11	16.31	35%
SIGECO	16.46	19.69	20%
I&M	9.33	10.52	13%
NIPSCO	16.32	22.73	39%
PSI	14.38	18.95	32%
All INDIANA IOU's	13.08	16.98	30%

(Source: Fuel Adjustment Clause filings at IURC)