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SUMMER 2001
ELECTRIC RELIABILITY
and
Initiatives and Recommendations to Promote Future Reliability

Presentation to the
Illinois Commerce Commission
April 19, 2001

David Butts
Executive Vice President
and
Chief Operating Officer

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Expected Peak Summer Load

- Forecasted Summer 2001 peak retail load obtaining supply from IP — 3,497 MW
- Forecasted Summer 2001 peak retail load in IP's control area — 4,083 MW

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Resources to Meet Load

• Dynegy Midwest Generation	3,070 MW
• AmerGen	698 MW
• Other	232 MW
• Total	4,000 MW

IP Native Load Reserve Margin

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• Forecasted Summer 2001 peak retail load obtaining supply from IP	3,497 MW
• Interruptible load	- 100 MW
• Forecasted Peak Demand	3,397 MW
• Total Supply	4,000 MW
• Reserve Margin	603 MW = 18 %

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Multi-Year Forecast

IP Supplied Retail Load

	2001	2002	2003	2004
Adjusted Demand MW	3,397	3,166	3,246	3,221
Total Supply MW	4,000	3,875	3,800	3,775
Reserve MW	603	709	554	554
Reserve %	18	22	17	17

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Demand-Side Management

- Alternative Bundled Rates - Time-of-Use
  - Residential Time-of-Use (SC 3)
  - Metal Heating (SC 26)
  - Real-Time Pricing
- Alternative Bundled Rates - Interruptible Rates
- Load Reduction Pricing Experiment to Encourage Customers to Voluntarily Curtail Electric Load
  - Customer compensated for voluntary curtailment of electric load during periods of high demand and tight supplies.

Transmission and Distribution Systems

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- System Performance - The 2000 Experience
  - Limitations on transmission flows existed primarily on the Roxford to Coffeen 345 kV line.

- System Performance - Looking Forward
  - IP is upgrading the 25 miles of 345 kV line from Roxford to Coffeen for high temperature operation prior to Summer 2001.
  - Current studies do not show any constraints on the IP system that would prohibit the delivery of adequate supply.
  - Summer 2001 Simultaneous Import Capability 1,959 MW

Transmission Strategy Leadership

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- IP recently concluded a settlement to exit the Midwest Independent System Operator and join the Alliance Regional Transmission Organization (RTO).

- The for-profit operating structure of the Alliance RTO will:
  - Provide more efficient and effective management of transmission assets.
  - Result in lower costs.
  - Achieve more certain movement of power across regions.

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Illinois v. California

- Illinois' Approach to Deregulation
  - Deregulated the commodity component of electric service - supply.
  - Utilities not forced to buy electricity from suppliers at a deregulated price, while at the same time selling to retail customers at a tightly regulated price.
  - Utilities were required to enter supply agreements that would meet specific reliability standards before they were allowed to divest generation assets.
- Illinois' Approach to Environmental Regulation
  - Siting rules do not choke off supply.
- Benefits of Illinois' Approach
  - An adequate supply of electricity to meet demand.
  - The State's energy supply is increasing and more supply is on the drawing boards.

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Summary

- IP initiatives to promote reliability:
  - Reliable supply commitments in place to meet forecasted peak demand for Summer 2001 and beyond, including reserve margin.
  - Long-term contracts providing stable prices and adequate supply resources to serve projected load through 2004.
  - Demand-side management advanced through alternative bundled rates and load reduction pricing experiment.
  - Leadership in transmission strategy through Alliance RTO and other initiatives.
  - Continuing improvement of transmission and distribution systems.

Recommendations to Promote Future Reliability Through Collaboration

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- Encourage and support a balanced portfolio of base-load generation within Illinois utilizing diverse fuels.
- Place a priority on helping create opportunities for the development of new technology, including coal-fired generation that meets environmental standards and utilizes Illinois coal.
- Establish Illinois leadership in facilitating the development of transmission infrastructure to enhance the availability of power supplies.
- Support the advancement of RTOs as a significant catalyst for the development of a robust wholesale power market.
- Establish incentives for expansion of the delivery system.
  - Minimize regulatory approval timeframe.
  - Eminent domain provisions for RTO / Transco.
  - Regulatory provisions for investment recovery.