Transmission profiles: ATC vs. ITC

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The ATC story

“We’re barred from distributing, generating and marketing electricity,” said Mike Rowe, president and CEO of ATC revealed when telling the tale of ATC to the audience at Transmission Business School.

“We’re a transmission-only company. That’s what we do. So, we better do it well,” Rowe said.

“We’re owned by the IOUs, co-ops and munis. Everyone rolled their transmission assets together,” he added. With a service area reaching into Minnesota, Michigan, Wisconsin and Illinois, the company is 88 percent owned by investor-owned utilities (those IOUs) with costs split across by load share (and with the load paying the price for any line loss in the transmission portion of the system).

ATC is still a very unique story: the first multi-state, transmission-only utility in the U.S. that owns and operates more than 9,350 miles of transmission lines and 530 substations.

ATC has grown from $550 million in assets when it started in 2001 to $3.8 billion this year. They’ve upgraded more than 1,824 miles of lines, improved 165 substations and built 48 new transmission lines.

“During those first few years, we replace a lot of aging infrastructure,” he said. “Literally, we had towers on our system that were bought from Sears Roebuck.”

The cash to fund those upgrades comes from a tariff regulated by FERC with a forecasted rate base and a forecasted cost of service. Theirs is a prospective tariff rather than the traditional lagging or back-end rate case.

“This makes financial planning easier, but it puts a burden on us to prove we’re spending that dollar in the right place,” he added.

Going forward, ATC will spend $3.3 billion or more on additional investments in projects, maintenance, and capital projects, including $500 m on regional multi-value projects such as the Badger-Coulee 345 kV project a joint project with Xcel Energy approved in April 2015 and the Cardinal-Hickory Creek 345 kV joint venture with ITC Midwest.

“We don’t believe in running things to failure. We try to get it replaced before it fails,” Rowe said when laying out where those dollars will go.

And while reliability is a main investment driver, Rowe also added that security will be a big chunk of investment in the future, which is rather new for them.

Rowe sees ATC’s strengths in the areas of planning, routing and siting, regulatory relations, construction, customer service, asset management, environmental responsibility, and innovation and improvements.

“We work diligently with different government agents to leave the areas we’re working in just as good or better,” he added when discussing environmental responsibility at ATC.

When looking at innovation and improvements, ATC employs the concept of strategic flexibility to better determine the merits of transmission projects. Rowe added that this means, basically, that they look at multiple “futures” (meaning what could happen—lots of renewables on the system, more gas on the system, where generation will be located). Since transmission planning takes such a long time, rather than the traditional five-year future timeframe, ATC has to look much farther out and then bring together ideas that will cover the most logical future or even multiple future options.

“If a project is beneficial in a majority of future scenarios, that’s a good project for us,” Rowe added.

The ITC story

ITC has been around since 2003, starting in a corner of Michigan with $750 million in assets. Today, they are in seven states with $7.1 billion in assets. Like ATC, they’re transmission-only as well.

“We’ve grown in scale. We’ve grown in size, and we’re solidified our place in the industry as a leader in transmission,” said Nisha Chopra, director of M&A, at ITC Holdings at Transmission Business School.

ITC is unique in this aspect: independence. They have no affiliation with market participations and no restrictions on share ownership. Their sole capital focus is transmission development.

They have four operating companies: ITC Transmission, METC, ITC Midwest and ITC Great Plains. Their formula rate is FERC-approved and forward-looking, similar to ATC.

ITC stresses that transmission charges are a small part of a customer’s bill (approximately 9%).

Looking out to ITC's future, Chopra discussed how Order 1000 will shape things. She noted that the Order establishes a framework for more comprehensive planning and evaluation and that it closes the gaps in the planning process regionally.

The slow factor of Order 1000 is the ROFR element for non-incumbent developer reforms. These will require regions to remove the right of first refusal, hence the name. Order 1000 isn't alone in that future-shaping for ITC however. Historical underinvestment, power market dynamics, reliability, the changing generation fleet and renewable portfolio mandates, along with storm-hardening needs, will all be factors. (In the next five years, they expect $4.5 billion of capital investments.)

"Every time we plug in our laptops and charge our phones, we understand the importance of power today. At ITC, we do believe that—despite the capital investments in the last 15 years—there's still quite a lot to do," said Chopra. "And there is still a need for efficient interconnections to get generation to load."

Chopra sees ITC doing a number of things well: safety, reliability, advanced tech apps and being cost-efficient. They believe, also, that investments in existing systems drive results and there are development opportunities to drive future growth as well.

"Today our development portfolio is large, but it's focused on U.S.-regulated transmission opportunities, such as merchant transmission," said Chopra, noting that ITC is working on becoming a national presence and break out of their current regional focus, though she admits that they haven't done merchant transmission in the past. It's a new push.

"Our development efforts have been a bit slow with Order 1000, but we are working on expanding and diversifying," she added.

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