

Wisconsin Industrial Energy Group's (WIEG) Comments On UMTDI Cost Allocation Principles Draft

Hi Marya and Randy,

On behalf of WIEG, thanks to the UMTDI Regulators' Team for Cost Allocation, for providing a draft of the cost allocation principles. Having participated in RECB II discussions, we acknowledge that the issue of cost allocation is challenging. We appreciate the efforts made by this team. Our comments and thoughts regarding the principles are provided below along with questions.

1. Generally speaking, the principles appear reasonable and attempt to reflect fairness. It is possible though that in some instances, they could be competing with each other. For example, Principle 3 states that beneficiaries and cost causers must pay. However, Principle 4 states that no transmission owner should disproportionately bear the cost of new transmission. If a particular transmission owner's service area were the primary beneficiary and cost causer, then, how would these competing principles be met? Would one take priority over another?
2. Regarding Principle 3, please clarify the definition of the single metric. We are assuming that this metric is quantitative. Provided the additional metrics are also quantitative, we would find the principle reasonable. Since UMTDI is primarily geared towards meeting RPS standards, we believe that the whole initiative more than fully represents the "soft" and qualitative criteria and additional qualitative metrics must not be added.
3. Regarding Principle 6, it is not clear what is meant by cost allocation to "positively interact" with policies adopted by the Federal Government. Please explain.
4. Regarding Principle 10, the costs "must" be exported and not "should" be exported. A related question is while the UMTDI stakeholders will have the benefits of the feedback and discussion occurring regarding cost allocation with the goal of ultimately coming to a resolution, what would be the process of getting "buy-in" or convincing the "importers", especially if they are in another RTO?
5. Regarding Principle 12, we assume that the Principle was meant to imply that the specific Commissions should allow a reasonable opportunity for recovery of prudently incurred costs and not cost allocations. Please confirm.
6. From WIEG's perspective, it is fundamental and vitally important that the "regional UMTDI solution" be more cost effective than a "Wisconsin specific solution". It would not make business sense to pay a higher cost than Wisconsin customers would otherwise pay through alternatives other than the "5-state regional solution", to achieve RPS standards. Meeting RPS standards already has high cost implications especially in a state like ours that has over a 20% planning reserve margin. Moreover, it would not be surprising if each state's customers were also thinking along the same lines. The bottom line is that the "sum"(i.e. regional solution) must be lesser than the parts (i.e., state specific solution) with respect to cost impacts in order to be considered for cost allocation. We recommend that a principle be formulated to capture this important criterion.

On a related note, it is important that in the final report, the Governors from the five states also gain insight regarding the cost implications of existing RPS standards/goals as well as mandates being contemplated, on retail rates. While the UMTDI effort is focused on identifying a regional solution with respect to transmission expansion and equitable cost allocation, I think that this issue is crucial and needs to be highlighted. Full transparency regarding cost impacts will help policy makers make educated and informed decisions regarding their policy actions on ratepayers and business retention.

Please let me know if you have any questions regarding the comments above. Once again, thank you for all your efforts.

Best Regards,
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