

UPPER MIDWEST TRANSMISSION DEVELOPMENT INITIATIVE

Staff Request for Stakeholder Information August 6, 2009

STAKEHOLDER RESPONSES MUST BE EMAILED BY CLOSE OF BUSINESS ON AUGUST 28, 2009

Please make all replies to:

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UMTDI Staff has prepared a series of questions (attached) to solicit Stakeholder input and suggestions that would be gathered and used to inform and assist the Staff with providing information to the UMTDI Executive Team.

In order to receive a fairly consistent “body” of responses overall, the Staff requests that:

- In addition to giving your opinion, it is important to go further to provide your productive suggestions for changes that, in your view, would benefit the topic of the question.
- Please respond to all questions in the survey. (Unanswered questions or questions using a different format may negate the value of your response or make it less useable in comparing to the remainder of the responses.)
- Please use the electronic file (Word document) form and email it back to the senders of this email.
- Please provide your Company/Organization name, a contact name, and the stakeholder group to which you would belong (using the list below). Staff intends to use this information to ensure that all pertinent stakeholder groups are represented in the responses received.

Transmission Owner	Cooperative Wholesale G&T
Public Consumer Advocate	Retail Cooperative Association
State Regulatory Authority	Municipal Wholesale G&T
Environmental-Other Advocate	Municipal Utility
Marketer	Other Transmission Dependent Utility
Independent Power Producer	Eligible End-use Customer
Exempt Wholesale Generator	Other (please specify)

- *Again, please remember that Staff must receive all emailed responses **BY
CLOSE OF BUSINESS ON AUGUST 28, 2009.***

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Company/Organization Name: [Alliant Energy Corporate Services, Inc. as agent for and on behalf of Interstate Power and Light Company \(IPL\) and Wisconsin Power and Light Company \(WPL\)](#)

Contact Email Address: neilmichek@alliantenergy.com

Stakeholder Group: [Other Transmission Dependent Utilities](#)

(1) Do the present RECB and generator interconnection cost allocation mechanisms adequately and equitably allocate the costs of new transmission facilities constructed to collect and deliver the prime wind-energy resource areas of the five UMTDI States? YES **NO**

Please provide reasons and examples to support your answer (use as many lines as needed):

[While existing cost allocation methods under RECB result in a relatively equitable allocation of costs for “reliability” projects, the cost benefit requirements for “economic” projects \(i.e. 3x benefit-to-cost ratio\) are too high for beneficial projects to qualify for cost sharing. AECS recognizes that cost benefit analyses are contingent upon significant numbers of assumptions and judgments, but by effectively applying a risk premium to the cost-benefit analysis history has shown that few projects have qualified for cost sharing.](#)

[In the absence of more progressive cost sharing of economic projects, costs for beneficial projects that would allow for the delivery of prime wind-energy resources continue to be borne by the local transmission pricing zone.](#)

[AECS’ filed comments at FERC regarding the recent proposal by MISO to change the generator interconnection cost allocation method generally supported the proposal because it causes the costs of “unplanned”](#)

transmission development to be borne by the generator as a component of its siting decision. It then becomes the generator's responsibility to reflect that increased cost in the cost of energy from the facility. AECS also commented that the generator interconnection cost allocation method should be consistent throughout the MISO footprint so that no region is advantaged or disadvantaged as a result of differing cost allocation methods within the MISO footprint. While AECS did not specifically request a formal sunset date, AECS believes that a more permanent fix to the generator interconnection cost allocation issue is necessary. In particular, AECS believes that the "first mover" must have an opportunity to recoup some of the costs of generation interconnection from others that benefit from the incremental transmission.

(2) Should UMTDI investigate a cost allocation method to fund transmission construction adequate to fulfill the RES/RPS requirements of just the five UMTDI States?

YES **NO**

Please provide reasons and examples to support your answer (use as many lines as needed):

Transmission cost allocation is an issue that extends well beyond the footprint of the five UMTDI states. While AECS believes that the five UMTDI states may have the authority to implement a cost allocation method within the five-state region, AECS is concerned that such a mechanism could burden the five-state region with transmission costs that should be borne by beneficiaries outside of that region. As stated above, in order to best ensure that generation and transmission are developed in an economic and fair manner, after all costs are considered, AECS believes that transmission cost allocation methods should be consistent throughout the entire MISO footprint.

(3) If your answer to No. 2 was NO, what justifications and methods would you provide to States outside of the UMTDI footprint to convince them to pay for a portion of any new transmission costs required to deliver energy to those States outside of the five-State footprint?

Please provide reasons and examples to support your answer (use as many lines as needed):

In the absence of uniform RPS requirements on a national basis, this is the difficult question. To convince those states outside of the five-state footprint

to share in the costs of a transmission project, there must be a showing that those states benefit from the additional transmission. Based on a recent court ruling involving PJM, the allocation of transmission costs must be consistent with a showing of benefits.

States outside of the five-state footprint will require an opportunity to participate in the analysis and debate of transmission expansion projects and cost allocation proposals through the MISO stakeholder and MTEP processes.

(4) When allocating costs, should Generators pay for a portion of any new transmission construction required to collect, interconnect, or upgrade transmission facilities to deliver renewable energy from the Generator's facilities to load? **YES** NO

Please provide reasons and examples to support your answer (use as many lines as needed):

Costs for transmission upgrades to interconnect an individual generator should be borne by that generator, but the generator should have an opportunity to recoup a portion of those costs from additional generators that are able to connect because of the upgrades.

Each generation siting decision involves the consideration of the availability and cost of land, proximity/deliverability of fuel sources (i.e. wind, coal, natural gas, biomass), additional infrastructure and supply chain needs, and the availability and capability of transmission to allow that generation to access the market. These considerations are not new. Each generation siting decision must consider the trade-off between the relative economic benefits of each of these considerations.

The transmission cost allocation processes should be consistent for all types of generation and should not provide preferential treatment to renewable energy resources, unless clearly established as a national policy by legislative action.

(5) When allocating costs, should Transmission Owners pay for a portion of any new transmission construction required to collect, interconnect, or upgrade transmission facilities to deliver renewable energy from a Generator's facilities to load? YES **NO**

Please provide reasons and examples to support your answer (use as many lines as needed):

Generally speaking, transmission owners should not be required to pay for transmission upgrades associated with generator interconnection projects.

However, to the extent that the transmission planning processes of MISO, UMTDI, or others can show that transmission upgrades (not specific to proposed generation projects) in a general region will provide reliability benefits, economic market benefits, and additional generator interconnection opportunities, it would be appropriate for a portion of upgrade costs to be borne by the transmission owners, with recovery of those costs through postage stamp rates. The cost allocation mechanism also should include either a connection fee for the generator(s) or a mechanism similar to an “injection and withdrawal” method that requires the interconnection customer to share in the costs of the upgrade.

(6) When allocating costs, should Load-Serving Entities (Retail Utilities) in the wind collection area, LODF footprint, or RPS load footprint pay for a portion of any new transmission construction required to collect, interconnect, or upgrade transmission facilities to deliver renewable energy from a Generator’s facilities to load? If so, in what proportion?

YES **NO**

Please provide reasons and examples to support your answer (use as many lines as needed):

Costs of transmission upgrades for renewable energy should be borne by the cost causers and beneficiaries. An LSE in the wind collection area should not be allocated costs for transmission upgrades if the renewable energy will not be consumed by that LSE’s customers. Generation developers should be required to fund those transmission upgrades themselves, and embed those costs in their PPAs.

AECS does not believe that it is necessary to specifically allocate costs LSEs because the PPAs should take care of those allocations.

(7) When allocating costs, should the stockholders/owners of a Load-Serving Entity (Retail Utility) pay, or a transmission owner forgo incentives in some fashion, for a portion of any new transmission construction required

to collect, interconnect, or upgrade transmission facilities to deliver renewable energy from a Generator's facilities to load? YES **NO**
Please provide reasons and examples to support your answer (use as many lines as needed):

The regulatory compact provides that LSEs have an obligation to provide service, in return for the opportunity, through rates, to earn a just and reasonable return on the investments necessary to provide that service. If LSE stockholders pay for transmission upgrades, it would imply that the regulatory agency has disallowed the recovery of those costs in rates, which would violate the regulatory compact and ultimately hurt consumers.

Similarly, asking a transmission owner to forgo incentives that previously were granted would be a violation of the regulatory compact.

(8) When allocating costs, should energy consumers in the wind collection area, LODF footprint, or RPS load footprint pay for a portion of any new transmission construction required to collect, interconnect, or upgrade transmission facilities to deliver renewable energy from a Generator's facilities to load? Should this be above and beyond any renewable energy credit (REC) payment they might pay to the generator? YES **NO**
Please provide reasons and examples to support your answer (use as many lines as needed):

Ultimately load will pay for the costs of transmission upgrades, whether through transmission rates or through LSE rates that include the costs of PPAs (which themselves would include embedded costs for transmission interconnections) and the costs of transmission interconnections for LSE-owned generation.

(9) When allocating costs, should any other Parties/Entities pay for a portion of any new transmission construction required to collect, interconnect, or upgrade transmission facilities to deliver renewable energy from a Generator's facilities to load?
YES **NO**
Please provide reasons and examples to support your answer (use as many lines as needed):

AECS is unsure what “Other Parties/Entities” encompasses within the context of this question. However in general AECS believes that cost causers and beneficiaries should pay for transmission system upgrades.

(10) From an end-use customer’s perspective, what do you believe is a reasonable incremental cost for transmission facilities resulting from the UMTDI effort? Please attempt to quantify your answer on a per MWH, percentage, or other basis.

(use as many lines as needed):

AECS has not attempted to quantify a reasonable incremental cost for transmission facilities resulting from the UMTDI effort. However, consistent with its response to other questions herein, AECS believes that transmission upgrade costs should be allocated between cost causers (generators) and beneficiaries (transmission owners) and that no LSE or group of LSEs should pay a disproportionate share of transmission upgrade costs for the delivery of renewable energy resources to other areas of the country. LSE cost allocations do not need to be separately identified because load ultimately will pay for the costs of transmission upgrades, whether through transmission rates or through LSE rates that include the costs of PPAs (which themselves would include embedded costs for transmission interconnections) and the costs of transmission interconnections for LSE-owned generation.

(11) Should the initial set of interconnecting generators to a newly constructed transmission line be the only generators charged a portion of the costs of the new transmission line that is required for UMTDI projects?

YES **NO**

Please provide reasons and examples to support your answer (use as many lines as needed):

As stated above, the cost allocation methods should include a provision that allows the “first mover” to recoup a portion of its interconnection costs from those generators that are subsequently allowed to interconnect as a result of the initial transmission upgrades. It would be reasonable to set a sunset period of perhaps 10 years after the initial upgrade for recouping those costs.

END