

# ***Upper Midwest Transmission Development Initiative***

## **Cost Allocation Work Group** **Chair, Eric Callisto, PSCW Chairman**

Initial Questions

2/25/09

- 1) Does the cost allocation process to be developed here operate as either RECB1 or RECB2 or a subset thereof, as appropriate, and rely on the fact that 20 percent would be postage stamped to the rest of MISO's footprint? Or, should the UMTDI states adopt a separate cost allocation outside of the RECB approach. Or, should the Cost Allocation Workgroup examine scenarios under consideration by the UMTDI Planning Workgroup and allow the circumstances of the scenarios, along with adopted cost allocation principles, to guide the formation of cost allocation methods that would facilitate the actual construction of feasible projects? **Tariff Design Study Group**
- 2) If the RECB1 or RECB2 approach is adopted, what cost allocation principles should be used for the 80% of costs to be borne by the UMTDI states? Should the circumstances of the recommended Planning scenarios, along with cost allocation principles, be used to guide in answering these questions? **Tariff Design Study Group**
- 3) For the costs to be allocated to the UMTDI states, and in line with adopted cost allocation principles, what specific metrics should be used? Examples include license plate with LODF or other, postage stamping, injections and withdrawal charges, partial project ownership, or completely new approaches. Should UMTDI-recommended cost allocation methods be recommended or offered, in whole or in part, to the remaining MISO States and their OMS representatives to consider for adoption by all of the States served by MISO? To what extent, if any, should generation be allocated costs? **Tariff Design Study Group**
- 4) If a beneficiaries-pay cost allocation principle is adopted, what types of benefits should be considered and how should they be quantified? **Tariff Design Study Group**
- 5) Should projects be examined on a case-by-case basis, or should a portfolio approach (e.g. SPP) be used when determining cost allocation, or should

both be examined to determine which could be optimal under certain circumstances? **Tariff Design Study Group**

- 6) What does CAPX2020 offer as a model for cost containment? For example, what advantages or disadvantages are posed when a group of transmission owners propose a project? Should other vehicles for project cost containment be entertained, for example, studying a sliding scale rate of return on a project where the rate of return on equity is impacted by the actual project cost and timeline versus its budgeted cost and timeline? **Tariff Design Study Group**
- 7) Should developing 2-3 stylized tariffs or proposed cost allocation methods wait until projects have been identified and accepted in the planning WG or can cost allocation methods be determined without looking at the costs or circumstances of specific projects or a range of projects? In other words, can “one size fits all” cost allocation methods facilitate the construction of projects in today’s economic climate? **Tariff Design Study Group**
- 8) Should cost allocation for UMTDI investments be subject to periodic review to determine whether beneficiaries from the investment have changed in any major way that change cost responsibility and appropriate pricing? **Tariff Design Study Group**
- 9) Are there any legal hurdles to adopting a regional approach to transmission planning? If so, what laws in what States should be considered for change? **Legal Framework Study Group**
- 10) How do the answers to these questions change if the goal becomes to export renewable resources beyond the UMTDI states? **Principles Study Group**
- 11) To what extent should TOs be willing to forgo requesting ROE incentives from FERC if UMTDI success increases certainty of cost recovery or reduces other uncertainties? **Tariff Design Study Group**