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:
randel.pilo@psc.state.wi.us, marya.white@state.mn.us, jeff.kaman@iowa.gov, greg.rislov@state.sd.us, jlein@nd.gov

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: Wisconsin Industrial Energy Group (WIEG)

Contact Name: Kavita Maini

Contact Email Address: kmaini@wi.rr.com

Stakeholder Group: Eligible End Use Sector

(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):

WIEG response: With respect to network upgrades, the current RECB methodology is rightfully fuel neutral and therefore, neither favorable nor unfavorable. Rather, as an approved tariff, it is deemed reasonable.

With respect to generator interconnection, MISO has proposed an alternative solution to address the "OTP issue" by allocating 90% of the costs to the generator. Based on stakeholder feedback and voting, this was the method favored by the majority of the stakeholders as equitable cost allocation. However, this is intended to be an interim approach, with a longer-term approach to be filed at FERC next summer. MISO's Section 205 filing at FERC to modify its interconnection cost allocation methodology is pending. Any longer term or alternate approach to generation interconnection costs needs to be guided by FERC's response to MISO's proposal. For example, FERC's acceptance of MISO's interim proposal would lend support to some degree of generator funding of interconnection cost. Conversely, a FERC

order rejecting MISO's interim proposal would suggest another approach might be required.

(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):

This question presupposes that (a) it can be demonstrated that Wisconsin customers will benefit from UMTDI solution and (b) these benefits supersede the benefits of other alternatives evaluated and result in a least cost option for Wisconsin. It is necessary and imperative from WIEG's perspective that these two key issues are addressed to justify participation in a UMTDI solution from a technical and cost perspective.

The answer to question 2 in the affirmative or negative is difficult without knowing if it can be demonstrated that others outside UMTDI are benefiting or not. UMTDI needs to engage other states and get broader participation if there is reason to believe that other states would benefit (for example, since UMTDI region is wind resource rich, other states could be considering these locations for fulfillment of RPS). Primary principles of beneficiaries and cost causers paying for benefits/causing costs should be met.

(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):

See response to Q2. Also, it is important to note that the recent Seventh Circuit Court of Appeals decision of remanding FERC regarding PJM's approved tariff regarding new transmission 500KV suggests that absent a change in federal law, any allocation of costs over a broader region must be based upon demonstrated benefits.

(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):

WIEG Response: The following answer applies to questions 4-9: The recent Seventh Circuit Court of Appeals decision in remanding FERC for approving PJM's postage stamp proposal for new facilities 500 KV and above is a clear indication that MISO needs to provide a methodology that clearly demonstrates that costs needs to be commensurate with benefits and therefore, costs are being assigned to beneficiaries. Therefore, we find it hard to precisely answer questions 4-9 without having an indication of entities that benefit. As an alternative, merchant transmission projects such as those proposed by Chinook and Zephyr appear to be modeled after the open season concept in the gas industry and should be considered – In this instance, the developers of the transmission projects have each entered into an agreement with a wind developer as an anchor customer to manage their risk. Note that since both these entities are developers of merchant transmission projects, they have no captive pool of customers from which to recoup the cost of the project and are assuming all the market risk. (We are attaching FERC's Order on these projects for more details on the concept).

(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):

See response to #4

(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):

See response to #4

(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):

See response to #4

(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):

See response to #4

(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):

See response to #4

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(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):

WIEG Response: Facilities are built based upon a least cost solution to address a demonstrated need and costs are then allocated based upon beneficiaries and cost causers. Therefore, the resulting incremental cost needs to pass the test of being the least cost solution compared to other alternatives of fulfilling RPS in Wisconsin in order to be considered reasonable.

(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):

WIEG Response: We support an open season approach in which the entity constructing the facility solicits customers willing to commit to provide funding. Once a threshold is reached (eg., 50% subscribed in the gas industry), the developer can proceed with construction. However they are at risk for the unsubscribed capacity. If a new generator comes along they can pick up a share of funding responsibility through the unsubscribed capacity.

END