

**MIDAMERICAN ENERGY COMPANY ELECTRIC SYSTEM PLANNING'S  
RED-LINED COMMENTS ON DRAFT COST ALLOCATION PRINCIPLES**

Upper Midwest Transmission Development Initiative (UMTDI)  
Principles Study Group of the Cost Allocation Work Group

April 22, 2009

□ **Principle 2** Allocating costs of new electric network transmission for delivery of renewable or non-renewable energy resources requires a sound iterative planning process conducted by ~~both the~~ RTOs, Regional Transmission Groups and ~~the~~ affected transmission owners. This process ideally identifies all who cause and benefit from the associated new transmission construction and operation as well as the degree of their causation and benefit.

*Comment: Networked transmission facilities do not differentiate between energy derived from renewable resources and energy from non-renewable resources. Also, some facilities in the five-state region are not part of an RTO, so a reference to regional transmission group planning needs to be added.*

□ **Principle 3** As a general rule, cost causers and beneficiaries should pay for the new electric network transmission needed for delivery of renewable or non-renewable energy resources. Determination of beneficiaries should consider more than one single metric. Determination of beneficiaries should consider future as well as current needs or uses, but it and should be assumed that with the passage of time there is a distinction between transmission used for reliability and economic purposes unless verification through technical studies of individual projects proves otherwise.

*Comment: If one transmission system (System A) is shown to gain increased transmission capacity as the result of a proposed transmission project on a neighboring system (System B), but that additional capacity will not be needed or not be used by System A, the argument can be made that System A should not bear the cost of the proposed project. To set policies based on the assumption that with the passage of time there is no distinction between transmission used for reliability and economic purposes may be premature. Individual proposed projects should be evaluated on their own technical merits.*

□ **Principle 4** No transmission owner should disproportionately bear the cost of new electric network transmission needed for delivery of renewable or non-renewable energy resources. As such, UMTDI cost allocation proposals shall not be designed to create incentives to leave the Midwest ISO by unfairly penalizing transmission owners who are not cost causers. In applying this principle, both costs and benefits need to be considered.

*Comment: Networked transmission facilities do not differentiate between energy derived from renewable resources and those from non-renewable resources. UMTDI cost allocation proposals should not unfairly penalize transmission owners who are not cost causers.*

□ **Principle 5** For appropriate cost allocation, sound transmission planning should be done on a regional level, but also include impacts on sub regions and local transmission systems as well as inter-regional impacts. Transmission planning should include all relevant existing and forecast demand loads or demand and energy use reduction programs as well as those existing and anticipated supply resources located within the regional level. Transmission planning must factor in the most current topology of the network, planned projects included in the MTEP process, and any anticipated reliability upgrades of the transmission owners.

*Comment: Plans should be made using the most likely project completion assumptions, not all proposed projects. Plans must also be evaluated at the local area (transmission owner) level to determine system impacts and facility upgrade requirements on those portions of the transmission system to which customer loads are most nearly connected.*

□ **Principle 7** For AC lines, the higher the voltage and the longer the transmission line, the greater the likelihood that a broader region will benefit by the project and should hence pay for the improvement. However, all proposed projects should be evaluated by technical studies on an individual basis.

*Comment: Proposed projects should be evaluated by technical studies on an individual basis.*

□ **Principle 10** To the extent ~~electrons are exported~~ and import capabilities into and out of the ~~five~~-state region are increased, proportional costs should be shared by parties outside the region ~~also be exported~~.

*Comment: Projects may also be proposed for the purpose of increasing import capability into the five-state region. It may also be appropriate to “export” costs in such cases.*

**Comments on this set of preliminary principles are due Friday, April 17, 2009. Please submit comments to the Principles Study Group’s lead regulatory staff:**

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**Your comments will be used by regulatory staff to produce another version for the UMTDI Executive Committee’s consideration.**