

TO: Upper Midwest Transmission Initiative
FROM: Madison Gas and Electric Company
SUBJECT: October 28, 2008, UMTDI Questions

Madison Gas and Electric Company (MGE) appreciates this opportunity to respond to the October 28, 2008, questions posed by the Upper Midwest Transmission Development Initiative (UMTDI). UMTDI has the potential to provide valuable information to the process of identifying appropriate transmission infrastructure and equitable cost allocation.

The Plan

The first four questions explore the information necessary to develop a plan that will guide construction of interstate transmission lines to serve the region's commitment to renewable generation. Given the aggressive timeline for UMTDI, the development of that plan needs to be extremely focused.

MGE suggests five elements of the plan that will help focus this effort. First, the plan should include the renewable mandates and transmission plans of the five states, and only those five states. This approach will ensure that we have the right people at the table and will avoid speculation on the actions and plans of other states. Focusing on the five-state area will provide a baseline to assess the costs and impacts of broader regional plans currently under development.

Second, the renewable resources considered in this plan should be targeted at the existing renewable mandates and goals of these five states. The tight timeline will most likely not allow for consideration of theoretical future mandates of these states or guesses about impacts of a federal mandate or mandates in other states. Only after this base case is established, and if time allows, should additional renewable resource goals be developed.

Third, the plan should be put together as a collaborative effort of the planners from the five states' regulatory bodies and the utilities in those states. These are the experts who are familiar with the transmission system plans and proposed renewable generation. UMTDI's proposed work group structure will accommodate this approach. The work group may utilize information developed in the RGOS studies if made available by the Midwest ISO. However, the Midwest ISO's comments made at the initial meeting of the UMTDI implied the RGOS information would not be available until the April/May 2009 timeframe.

Fourth, the planners should explicitly factor in the cost of transmission in determining the location of renewable generation that will best meet the mandates of the five states. This will include consideration of losses and not just identify areas of the best wind speeds and capacity factors.

Fifth, the planners should be looking at low voltage solutions, not just extra high voltages, to identify lowest cost alternatives that best meet the mandates of the five states. Other efforts seem to assume some type of extra high voltage overlay.

MGE believes adherence to these five elements will allow UMTDI to best provide a baseline case of the transmission facilities, renewable generation, and costs. Such a baseline case will allow comparisons of the UMTDI plan to other plans and scenarios being developed on a broader regional area, such as MISO's RGOS and RPGIP studies. Having this baseline will assist in determining which costs are needed for this five-state area and which costs are benefiting other areas.

Cost Allocation

Questions 5, 6, and 7 address cost and cost allocation questions. MGE supports the general concept that those that benefit should pay. But with that concept comes the issues of how these benefits are measured and assigned and over what time period. Those issues are being debated in a number of arenas and will need to be discussed as described below for some types of projects.

MGE recommends that projects needed under the UMTDI plan that would qualify under RECB 1 should get RECB 1 cost treatment. That cost treatment was decided after an extensive process at MISO and FERC and does not need to be revisited as part of the UMTDI process.

For projects needed under the UMTDI plan that don't qualify under RECB 1, cost allocation should be done on a project-by-project basis. This would include "social" projects and those at extra high voltages. By "social" projects, we mean those that exist to accomplish a policy objective like renewable development. The determination of who benefits is dependent on the impacts and policy goals of individual projects, hence the case-by-case determination.

Under our recommendation, there will need to be sequence from plan development to cost allocation. Only after the UMTDI plan has been completed can cost allocation of all projects be determined because of the potential for some project-by-project determinations.

We have tried to comply with the UMTDI wishes that our response "be as concise as possible." MGE would be happy to respond to any questions or have further discussion of our suggestions. If so, please contact:

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