

April 27, 2010

Dear OMS Board Members and CARP Representatives,

Wind on the Wires (WOW) appreciates the CARP efforts to continue working towards a compromise/consensus position on cost allocation for new transmission in the Midwest region. During the CARP meeting on April 20th, many changes were made to the Midwest ISO Straw Proposal and the Transmission Owner's Proposal that resulted in a compromise CARP Proposal.

WOW has considered the impacts of the CARP Proposal and was informed by the Cost Allocation Proposal Comparison analysis that the Midwest ISO put out Monday April 26th that relies on the Brattle Group model (see attached sheet for a summary of cost impacts to generators). Our analysis and the Midwest ISO's cost impacts indicate that the CARP Proposal has a greater negative impact on generators than any of the following: the Midwest ISO Straw Proposal, the Transmission Owners' Proposal or SPP's recently filed Highway-Byway approach to cost allocation.

WOW urges the Midwest ISO state regulators to vote NO on the CARP proposal, and instead request the Midwest ISO to continue to work within the RECB process to further develop a proposal that can better balance the needs of ratepayers, existing generation and wind energy expansion in the region. Below are specific reasons why WOW does not believe the CARP proposal strikes the right balance of cost allocation for the region. In addition, we encourage you to review our last set of comments on the Midwest ISO Straw Proposal and the Transmission Owners' Proposal¹, as many of our suggestions apply to the CARP Proposal as well.

1. Too Large a Cost to Generators

WOW believes the percentage of costs charged to generators under the CARP Proposal is unreasonably high. Not only will it have a detrimental impact on existing generators in the Midwest ISO, but it will also put proposed new generation at a disadvantage relative to similar projects located in neighboring regions, such as the Southwest Power Pool.

Existing generation was planned and built prior to any consideration that generators would pay a general transmission rate within the Midwest ISO. The additional transmission charges resulting from the CARP Proposal have not been factored into the costs of existing projects and it is clear that these new charges will have a negative impact on their business. Cost allocation approaches such as the Transmission Owner's Proposal and the SPP Highway-Byway do not charge generators a rate at the local or regional level and therefore do not negatively impact existing generators.

For proposed new generation, the 20% charge to generators under the CARP proposal will impact the competitiveness of these projects relative to similar generation projects in neighboring regions such as SPP and PJM. Under the CARP proposal this percentage is applied to all

¹ These comments can be found on the OMS website at the bottom of the following page:
<http://www.misostates.org/CARP17meeting21-22April2010Carmel.htm>.

regional overlay costs within the Midwest, not simply to network upgrades for these particular generators, or even just to projects that have local benefits. These significant costs will likely lead load serving entities to look to generation outside of the Midwest ISO to meet their energy or renewable energy needs, since generators in regions like SPP and PJM will not face similar costs.

Generators do pay for interconnection facilities as well as a significant portion of the costs of network upgrades required for their interconnection. Such costs provide a reasonable price signal for projects to site close to available transmission capacity. Asking them to pay an additional large portion of the regional grid is too great a burden.

Wind developers are not opposed to paying a fair share of new and expanded transmission. But to ensure that development continues to take place in the Midwest, these charges must be consistent and equitable amongst all types of generators and also be consistent with how cost is allocated in other regions of the country

2. Rate Design for Generators Discriminates Against Wind

The CARP Proposal includes a method of charging generators based on “net demonstrated capability” and charging load based on energy. This approach to charging generators has a greater impact on variable generation such as wind versus base load generation. It is also not consistent with the method of charging load.

Base load generators will see a much lower impact of these charges on a per MWh basis than peaking generators and wind generators. Net demonstrated capability is very close to nameplate capacity. Therefore, wind generators would pay for transmission based on their peak potential delivery rather than the average amount of energy they deliver to the grid. A more equitable and consistent model would be to charge generators on an energy basis or based on net capacity factor, rather than net demonstrated capability. This would provide a more reasonable proxy for actual use of the transmission grid and does not place wind or peaking generators at a disadvantage relative to base load generators.

3. Greater Clarity Need on Unique Purpose Projects

As with both the Transmission Owners’ Proposal and the Midwest ISO Proposal, the CARP Proposal still requires greater definition of what constitutes a Unique Purpose Project (UPP). Without this clarity, it is not possible to determine how effective a new cost allocation approach will be in actually getting transmission built to support compliance with state and regional renewable energy requirements and goals.

To ensure development of regional transmission projects that support renewable integration, public policy, reliability and economic goals WOW suggests that lines identified through the Midwest ISO Regional Generator Outlet Studies (“RGOS”) be categorized as UPPs. The RGOS process should become a standard part of the Midwest ISO MTEP planning process, so that

UPPs are re-evaluated every year to ensure that they are still required to meet a documented policy need. Such an approach would ensure that these lines, together with other transmission additions in the MTEP are the most cost effective solutions to meet the region's combined reliability, economic, and policy needs.

4. A Transition Process is Needed for Generators in the Interconnection Process

Wind generators currently in the interconnection queue strongly urge that a transition process be created to bridge the gap between the existing process of identifying network upgrades needed for interconnection until the time that new UPPs are being identified and built through the MTEP/REGOS process. Such a transition process is reasonable and is needed. Many network upgrades that have been identified as needed for generator interconnection through the current System Planning and Analysis (SPA) process look very much like lines that have been identified through the Regional Generation Outlet Study ("REGOS").

The SPA often results in transmission lines identified as needed for a number of projects. Inherent in such transmission lines or groups of lines is a regional benefit – similar to REGOS. These projects are often costly due to their regional nature and multiple benefits, and therefore generators cannot make the financial commitment to fund them alone. Yet, if these types of transmission lines identified in the SPA are not included in cost sharing as UPPs they probably will not be built and will not be available to support further renewable energy development in the Midwest.

WOW, therefore, recommends that any new cost allocation approach incorporate criteria and a method to determine which of the transmission lines identified through the existing SPA process should be allocated as UPPs, rather than as network upgrades for generator interconnection.

WOW appreciates your diligent efforts to work on this important regional issue. Amending the Transmission Owners' Proposal or the SPP Highway-Byway Approach to incorporate the changes WOW as outlined herein would yield a cost allocation methodology that would better balance the needs of ratepayers, existing generation and wind energy expansion in the region than the CARP Proposal. **We recommend that you reject the CARP Proposal and we ask for your support in the upcoming RECB meeting(s) to implement the recommendations contained herein.** We welcome your questions and comments.

Sincerely,

Natalie McIntire

Sean Brady

Josh Gackle

**COMPARISON OF GENERATOR COSTS UNDER THE TO, MISO STRAW AND
 CARP PROPOSALS USING ANALYSIS ISSUED BY The MIDWEST ISO ON
 4/26/2010**

	2014	TO Proposal	MISO Straw	CARP Proposal
Regional Cost to Generators		0	0	0
Local Costs to Generators		0	.040B	0
Network Upgrades		.525B	0	0
'Higher of' analysis		0	.280B	.525B
TOTAL Cost to Generators		.525B	.320B	.525B

2024(Adjusted to reflect Current Cost
 Estimates)

Regional Cost to Generators		0	0	\$.578B
Local Costs to Generators		0	.451B	0
Network Upgrades		1.03B	0	0
'Higher of' analysis		0	.481B	1.03B
TOTAL Cost to Generators		1.03B	.932B	1.61B