

ATC Access Initiative – September 1, 2004 Customer/Stakeholder Meeting

On September 1 ATC held the latest meeting in its Access Initiative series to discuss the topic of transmission access with ATC Customers and interested Stakeholders. The purpose of this meeting series is to present and discuss the status and results of Access Initiative study work done to date, to continue to collaboratively develop and evolve the “access value case”, and to solicit feedback, reaction, and ideas from meeting participants. All initiative materials, including meeting presentations and any follow up materials, are posted on the ATC OASIS page and can be found at http://atcllc.com/oasis/Customer_Notices/Access.html.

The following organizations were represented in person or via phone at the September 1 meeting:

- Alliant Energy
- Badger Power Marketing Authority
- Citizens Utility Board
- Dairyland Power Cooperative
- International Brotherhood of Electrical Workers
- Madison Gas & Electric
- Manitowoc Public Utility
- Minnesota Public Service Commission
- MSB Energy Associates
- Public Service Commission of Wisconsin
- We Energies
- Wisconsin Paper Council
- Wisconsin Public Power Inc
- Wisconsin Public Service

Following is a summary of Customer/Stakeholder feedback received at this meeting, categorized beneath the relevant meeting agenda item. If an agenda item is not mentioned below, it did not generate significant discussion, resulting in feedback or questions, at the meeting. See meeting materials for full agenda and presentation content.

Economic – PROMOD Results and Discussion

ATC noted that all models had been brought up to date with the most current modifications and corrections from both internal review and in response to customer/stakeholder input. Analyses were rerun with the updated models and presented at this meeting. Participants discussed the updated results. Questions were raised about the impact of the inclusion of the Rockdale-West Middleton 345 kV line on the results. This, combined with the other changes, appeared to significantly enhance the beneficial economic impacts of the south and southwest access expansion directions.

The concept of “LMP spread” was discussed as one measure of “comparability” – the reduction of differences in Locational Marginal Prices between control areas within ATC is one illustration of access comparability improvement. Information was presented to illustrate this concept.

The concept of “who pays/who benefits” was discussed in response to a comment that a combination of DPC, NSP, Southern Minnesota Municipal Power Agency (SMMPA) and/or Rochester Public Utilities (RPU) might build Prairie Island – Rochester – North La Crosse, resulting in less cost to ATC if the west access expansion option was chosen. The concept is that less cost to ATC, brought about by ATC customers not having to pay the full cost for the access expansion package, might increase the attractiveness of an expansion option which otherwise would be judged less desirable from a cost/benefit standpoint than other options. ATC noted that detailed regional study and discussion would be part of the next phase of the Access initiative, and that the “who pays” discussions are active at the RTO level and will definitely impact any future major access projects.

Another comment was that ATC should keep in mind that customers still need to meet needs from an overall import capability standpoint as well as for market benefit. ATC noted that this was one reason why many different elements of the “access value case” are being assessed through the Access Initiative analyses, and will all be part of the ultimate decision on how to proceed and in what way.

It was suggested that an alternate south expansion option from Paddock to Rockdale be considered as a possibly much cheaper and easier expansion with potentially similar benefits to the current south option.

Sensitivity Analysis

Presentation of the latest results of the sensitivity analyses raised much discussion about natural gas price assumptions and their impact on results. It was suggested that ATC take a look at the proportion of combined cycle to other generation in the model, and also at the relative ratios of these generation types within ATC compared to the surrounding areas, and relate that to the results to provide some additional perspective. It was noted that gas prices had a major impact on results. Participants noted that the gas price swings ATC had assumed in the analysis were much smaller than those that have been seen in reality.

Decision Matrix

Extensive discussion occurred regarding the draft decision matrix, weightings of different criteria within the matrix, and interpretation of results. One major area of debate was how heavily to weight capital costs compared to other factors. One suggestion was that ATC more clearly separate quantitative from the more qualitative results. Another suggestion was that ATC attempt to put some perspective to the economic benefit analysis by attempting to calculate a “maximum economic transfer” value by artificially removing all internal constraints within the ATC footprint and determining what the maximum economic transfer would be in that case. Other comments centered on different ways to calculate various benefit/cost ratios. It was suggested that we do not want to end up essentially counting costs twice, being careful with comparing cost vs. benefit vs. “net benefit”. Another area of discussion was on societal impacts and environmental impacts, and how to most effectively illustrate that the current assessment was done at a very high level to differentiate it from the very detailed corridor level study that will need to be done in the future, but to still note the factors that were considered.

ATC committed to update the matrix per the discussion and to post it along with a “shadow matrix” containing the rationale for ATC’s ratings for each element, in order for participants to be able to experiment with impacts of different weightings or rating rationales. It was agreed that participants would provide feedback to ATC before the October meeting on their thoughts on narrowing the field of potential options to two or three for further development.

Feedback Received to Date

Alliant Energy - I believe we owe you some input on what alternatives Alliant Energy believes should continue to be included for additional study in this initiative. We would support continued study of a base case plus fixes, Salem to North Madison and Byron to North Madison.

While we don't think the base case plus fixes ultimately gets us where we need to be, we believe it will be important to have it as a "bookend" to compare to a major project.

We believe an additional interconnection to the south makes sense. From our perspective, the Salem to North Madison is the most attractive alternative at this point. In addition to getting us to the 3k/3k/5k target, we believe a southwest project would provide more flexibility to meet the high wind scenario raised by some of the stakeholders in the process. The Byron to North Madison alternative also appears to get us to the target.