

# \$1 BILLION SAVED

## WHY PASSING ROFR WILL HELP LOWER COSTS FOR WISCONSIN



- The federal government approves how transmission companies are allowed to pass along their costs to ratepayers through the regional grid organization called “MISO,” which stands for Midcontinent Independent System Operator.
- Under those rules, an “incumbent” transmission company awarded a multi-state project can not only spread some of the construction costs of those projects across the region, **but importantly they spread a large portion of their existing “overhead”, or “day-to-day”, costs regionally.** This process helps significantly lower the amount of transmission costs for Wisconsin customers each year by tens of millions of dollars.
- **Here’s why these rules matter for Wisconsinites. Only incumbent Wisconsin transmission companies—not new developers—can lower costs to Wisconsin by \$1 BILLION if they are awarded the \$1.8B of recently announced multistate transmission projects in Wisconsin.** This future cost benefit for Wisconsin customers only applies to transmission companies who are already here; that have incurred large day-to-day costs to manage the grid; and who have existing in-state customers in Wisconsin.
- **So how can “incumbent” transmission companies deliver this type of day-to-day cost savings to Wisconsinites and “non-incumbent” developers can’t?** It’s fairly simple. Under the MISO rules, if a “non-incumbent” developer is awarded the same multi-state project in Wisconsin, **they can’t shift annually tens of millions of existing day-to-day costs to manage the grid like the incumbent providers because they don’t have any.** This is their first project in the state.
- Let’s assume an out-of-state developer was awarded both recently announced multi-state projects totaling \$1.8B. They have claimed they can deliver costs savings on the construction side on these projects through lower upfront “capital costs.” For sake of discussion, let’s assume the developer can deliver a final project (not a bid) at 20% less than an incumbent.
  - ◆ **That initial savings sounds good until you look at the total impact to Wisconsin. The purported future construction cost savings from a non-incumbent’s project of roughly \$128 million compared to the \$1 billion of existing day-to-day overhead costs that Wisconsin can no longer shift to other states means higher bills for Wisconsin. In this case, the net additional cost to Wisconsin is, on average, \$26 million annually or \$1 billion over four decades.**
- Put simply, Wisconsin shouldn’t pay **\$1 BILLION** more in transmission costs because a non-incumbent developer was selected to build two projects in Wisconsin that benefit the entire region under a manufactured federal process that harms our customers.

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| Transmission Line Owner                                   | Capital cost L RTP Projects (\$ millions) | Overhead costs shared with region (\$ millions) | Net benefits to Wisconsin (\$ millions) |
|---|---|---|---|
| If ATC/Xcel/Dairyland builds (ROFR)                       | \$640                                     | \$1,039   | \$399                                   |
| If a "Non-Incumbent" builds                               | \$640                                     | NONE  | NONE<br>ADDITIONAL COSTS<br>\$640M      |
| If a "Non-Incumbent" builds with hypothetical 20% savings | \$512                                     | NONE  | NONE<br>ADDITIONAL COSTS<br>\$512M      |

