WHY PASSING ROFR WILL REDUCE COSTS FOR WISCONSIN RATEPAYERS

WI4 ROFR

- The rules governing how utilities can pass along their costs to ratepayers are set by the federal government through an organization called "MISO," which stands for Midcontinent Independent System Operator.
- Under those rules, transmission companies assigned multi-state projects can spread their overhead costs regionally, reducing proportionally the amount of fixed costs that would otherwise be passed along to their existing customers.
- Only "incumbent" transmission owners have existing in-state customers. "Non-incumbent" developers do not.
- Because incumbents assigned multi-state projects can spread their fixed costs across the multi-state MISO region, assigning them such projects will benefit their existing in-state ratepayers by lowering their net cost burden.
- A non-incumbent assigned a multi-state project, by contrast, would shift its fixed costs (incurred from its operations in other states) to ratepayers in Wisconsin—ratepayers who otherwise would not pay a dime to cover the developer's overhead.
- This means that, even if a non-incumbent can build a project at a lower upfront "cost," the overall economic benefit to in-state ratepayers may still be greater when an incumbent develops the project due to the cost-sharing advantages.

ILLUSTRATIVE EXAMPLE:

- An incumbent transmission owner can build a 200-mile transmission line with a total project cost of $600 million.
- A non-incumbent developer can build the same project for $480 million (cheaper upfront cost).
- Under MISO's rules, the incumbent can spread $7 million in fixed costs regionally, benefiting its in-state ratepayers.
- Bottom-line impact: Even though the non-incumbent has a lower project cost, the overall cost savings for in-state ratepayers would be greater under the incumbent's project.