

Legislative Energy Commission
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***Brookings Transmission Line Update
and Cost Allocation Issues***

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Brookings Transmission Line Background

- On May 22, 2009, the Minnesota Public Utilities Commission granted Certificates of Need for 3 transmission projects, including the Brookings Project.
- Brookings Project entails construction of a 345 kV line from Brookings, SD to the Hampton Corner substation proposed to be built in the SE quadrant of the Twin Cities metro area.
- Brookings is not considered a Baseline Reliability project by the Midwest ISO and has been classified as "other."
- The Midwest ISO is looking to the Group 5 Interconnection Customers as the projects that should help fund the Brookings line.
- Cost of the Brookings line is approximately \$700 million.

Wind Project Development Information

- Group 5 comprised of 19 wind projects (12 different developers)
- Most Group 5 projects are quite far down the development path
- Midwest ISO FeS, SIS, FaS did not show any costs for Brookings
- Projects have made business development decisions based on study information to date:
 - Signed IAs or TIAs
 - Set PPA price and/or other streams of revenue/expenses based on study information to date
 - Negotiated turbines and other equipment
 - Negotiated financing terms
 - Bid into RFPs and are in advanced negotiation with potential off-takers
 - Projects fully permitted and shovel ready
- Projects become not viable with addition of the magnitude of transmission costs of Brookings as proposed by CapX on June 3

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Cost Allocation Discussions

- The Midwest ISO, CapX utilities, state regulatory and agency staff, Group 5 project developers, Wind on the Wires have met a number of times to discuss cost allocation, timelines, and other critical issues.
- The last meeting included state commissioners, state regulatory and agency staff from all 5 of the Upper Midwest Transmission Development Initiative (UMTDI) states – IA, MN, ND, SD, WI.
- On August 13, 2009, the Midwest ISO filed an unexecuted Generator Interconnection Agreement (GIA) for the Community Wind North project (G586). The impasse is specifically around the cost obligation associated with the Brookings transmission line and related transmission substation upgrades.

Generic Wind Project Cost Using CapX Cost Allocation Proposal

Generator	Nameplate	NCF	CapEx
G87	100 MW	40%	\$2,300/kW

Interconnection

Cost-Direct		20 yrs PPA	
Assigned	% Reimbursable	Price	IRR
0	0%	\$ 78.85	10.00%
\$25,000,000	0%	\$ 90.30	10.00%
\$50,000,000	0%	\$101.70	10.00%

- Increase in PPA price is approximately \$0.46/MWh per \$1M per upgrade costs.

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20 MW wind project (G-621)



Interconnect Request:	2006
Inservice Request:	2007
Delayed Inservice:	2009
E&P Agreement*:	Feb. 2009

*Note: E&P agreement signed February, 2009
by MISO and Customer to maintain 2009 in-service
(no discussion of Brookings contingencies at this time)

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20 MW wind project (G-621) Project Resources Corporation

Project Status:

- | | |
|---------------------------|----------|
| •Land Leases | Done |
| •Wind Monitoring | Done |
| •GIA for G621 | NOT DONE |
| •Negotiate PPA | Done |
| •Permitting | Done |
| •Negotiate Wind Turbines | Done |
| •Negotiate BOP Contractor | Done |

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20 MW wind project (G-621)

MISO Facility Study cost estimates:

- Base Case: \$1.2 million (\$60k/MW)
- Worst case if all other projects drop: \$12.7 million

In May 2009 (3 months after E&P agreement signed) this was revised to include the Brookings line → additional cost of at least 1.62% of \$720,000,000 = \$11.4 to \$720 million:

- Base Case: "At least" \$12.6 million (\$630k/MW)
- Worst case: Unspecified (and unimaginable)

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Summary

- Many Group 5 wind projects are at late stages of development and additional significant transmission upgrade costs will kill shovel ready projects.
- Having only Group 5 pay for Brookings does not recognize the multiple benefits of the line – reliability, local load serving, reduced congestion, and generator interconnection.
- The Brookings transmission project is a backbone facility that is needed to meet the Minnesota RES, but also provides additional regional benefits.
- The Parties are seeking a 1-time cost allocation solution that will be filed with the FERC for approval.
- Time is of the essence for Group 5 projects as well as other transmission projects that are currently being studied and identified.