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VIA ELECTRONIC MAIL

Mr. Robert Gramlich
Senior Vice President – Public Policy
American Wind Energy Association
1501 M Street, N.W., Suite 1000
Washington, D.C. 20005

Dear Rob,

This responds to your request for support for LPPC's contention that cost for certain transmission build-out plans may result in customer charges between \$14 and \$35 per month.

LPPC's calculation is an extrapolation from the work done in connection with the JCSP Wind Scenario cost estimate. To begin, LPPC noted that the JCSP report itself represented that the study did not consider the cost of resolving known flowgate constraints, the cost of which the report itself stated would run at least 25% of the overall cost estimate. That adjustment would result in a minimum total cost of \$100 billion for the Eastern Interconnection alone. LPPC support personnel have concluded that the 25% "add" may be quite low, in view of what appears to be its omission of such facilities as feeder lines and transformers. Accordingly, it was estimated that the total Eastern Interconnection cost may run as much as a total of 200% of the initial JCSP estimate, or \$240 billion. Assuming the carrying cost of the \$100 - \$240 billion investment is approximately 1.5%/month, this equates to an average cost between \$14 and \$35 per customer per month (based on appx.104 million customers in the Eastern Interconnection)

There is no parallel study to the JCSP in the Western Interconnection. However, based on a survey of 500 kV AC and DC projects under consideration in the West, LPPC estimates that total costs conservatively range from \$30 to \$50 billion dollars. Again, assuming a carrying cost of 1.5%/month and approximately 30 million customers in the West, this equates to an average cost between \$15 and \$25 per customer per month. Higher figures in the West result if one calculates a per kW charge reflecting the projected Eastern Interconnection investment, and that charge is applied to load in the Western Interconnection.

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LPPC well understands that these are not “ground-up” estimates, but extrapolations designed to prompt further inquiry. We have not expressed certainty that these numbers are accurate, but believe they are useful in prompting further inquiry and discussion in the absence of data on which we all might agree.

Best regards,

/S/Jon

Jonathan D. Schneider

Attachment

Eastern Interconnection

Total Cost	Carrying cost	# of custs in East	Cost/year/cust	Cost/month/cust
\$ 100,000,000,000	18%	104,000,000	\$ 173	\$ 14
\$ 240,000,000,000	18%	104,000,000	\$ 415	\$ 35

Western Interconnection

Total Cost	Carrying cost	# of custs in West	Cost/year/cust	Cost/month/cust
\$ 30,000,000,000	18%	30,000,000	\$ 180	\$ 15
\$ 50,000,000,000	18%	30,000,000	\$ 300	\$ 25