WIEC Data Request 5.3

Reference WIEC 2.6h. Explain why retail customers should be charged costs for transmission imbalances caused by third party loads.

Response to WIEC Data Request 5.3

Transmission imbalances are the net difference between metered loads and scheduled resources by third party entities that have load within the Company's control area. For hours when a third party's metered loads exceed scheduled resources, the Company sells power to that third party at prices that is at or above the then current market price. For hours when a third party's scheduled resources exceed metered loads, the Company purchases power from that third party a price that is at or below the then current market price. For the 12-months ending November 30, 2007, the sum of the hourly transmission imbalance transactions resulted in a net purchase to meet load at prices favorable to buying from the market and therefore these costs should be included in the PCAM. If the costs were removed, the energy would have to be removed as well in order to provide a matching of the costs and energy associated with the transmission imbalance transactions leaving the PCAM with not enough resources to meet load.