

**An Analysis of AB
25/SB 28 Regarding
the Right of First
Refusal (ROFR) in
Wisconsin**

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March 3, 2025

Executive Summary and Conclusion: One-Page Overview

Despite claims that Wisconsin ratepayers benefit when incumbents “shift” costs for new transmission, the reality is that these cost-shifting practices do not reduce total spending—they merely reallocate it. Under AB 25/SB 28, Wisconsin’s proposed Right of First Refusal (ROFR) transmission legislation, projects would be shielded from competition, limiting the downward pressure on construction, financing, and operating costs. Analyses show that:

- **Competitive Bidding Yields Real Savings.** When new entrants compete, final project transmission costs are typically 20–40% lower than incumbent-only builds. These reductions reflect *genuine* cost savings, not just redistributing expenses.
- **“Cost Shifting” Is Not Cost Saving.** Incumbents argue Wisconsin customers benefit if costs can be spread across a larger base. But overall transmission costs end up higher, pushing part of the burden onto other MISO ratepayers—and eventually circling back as higher network charges.
- Incumbents concede this policy isn’t ideal but mathematically “benefits” the state. Once we apply net present value (NPV) analysis, these long-term gains shrink substantially, and many costs rebound onto Wisconsin through MISO’s cost allocation. It will likely become a net loser for Wisconsin over time.
- Any promised “future savings” is worth much less in today’s dollars. By the time we discount future benefits, the supposed advantages do not offset the immediate 20–40% competitive cost savings.

Conclusion: AB 25/SB 28’s ROFR would strip away market competition and artificially inflate final costs. MISO’s existing rules for cost allocation and project approval would still apply so incumbents could continue “shifting” overhead to other ratepayers. But that doesn’t mean genuine savings for Wisconsin. The strongest solution is to preserve or enhance competitive bidding, thus locking in true cost savings and innovation, while still distributing costs fairly across the region.



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2.0 Scope of the Report

Purpose and Objectives

This report provides an independent economic analysis of Wisconsin's proposed Right of First Refusal (ROFR) legislation (SB 28) and Assembly Bill 25 and the potential impact on transmission costs for Wisconsin ratepayers. The analysis examines the economic arguments presented in American Transmission Company's (ATC) report dated October 30, 2024, and offers an alternative assessment of how competition in transmission development affects ratepayer costs.

The primary objectives of this report are to:

1. Evaluate ATC's claims regarding cost allocation benefits under MISO's regional framework.
2. Analyze the distinction between cost shifting and genuine cost reduction.
3. Examine empirical evidence on competitive versus non-competitive transmission development costs.
4. Assess the timeline and efficiency implications of ROFR policies.
5. Provide a comprehensive economic assessment of ROFR's impact on Wisconsin ratepayers.

Methodology and Approach

This analysis employs multiple methodological approaches including:

- Review of published economic literature on ROFR policies.
- Analysis of transmission project cost data from competitive and non-competitive markets
- Examination of MISO's cost allocation mechanisms.
- Evaluation of project timeline data across different regulatory frameworks.
- Net present value analysis of long-term cost projections.

The report utilizes economic modeling techniques to analyze long-term cost implications and applies standard financial analysis methodologies to evaluate ATC's cost allocation claims. All data sources are cited, and economic assumptions are clearly stated throughout the analysis.

Limitations and Assumptions

This report focuses on economic impacts and does not address all legal or regulatory implications of ROFR legislation. The analysis relies on publicly available data, published research, and reasonable economic assumptions. While comprehensive, this report cannot

account for all potential market dynamics or future policy changes that might affect transmission development.

All charts, graphs and economic models referenced in the report represent the author's analysis based on data from cited sources. The conclusions represent the independent professional opinions and judgment of the author based on economic principles and available evidence.

Author Qualifications

This report was prepared by Dr. Eric Olson, who currently holds the Mervin Bovaird Foundation Endowed Professorship in Business at the University of Tulsa and maintains a joint appointment with the School of Cyber Studies. Dr. Olson was the Founding Director of the Center for Energy Studies at the University of Tulsa, where he led research and policy initiatives focused on the intersection of energy markets, financial stability, and policy.

Dr. Olson holds a Ph.D. in Economics from the University of Alabama (2010), an M.A. in Economics from the University of Alabama (2005), and a B.A. from the University of Alabama (2004). His professional certifications include Data Mining (University of Alabama & SAS Institute), Applied Analytics (SAS Enterprise Miner), and Credit Scoring & Basel II Modeling (SAS Institute).

Dr. Olson is a member of the American Economic Association (AEA), Financial Management Association (FMA), and United States Association for Energy Economics (USAEE). He has authored or co-authored over 40 peer-reviewed academic publications, including journal articles, book chapters, and research studies, on topics ranging from monetary policy and market volatility to the effects of uncertainty on economic growth and the role of fiscal and monetary policy in stabilizing macroeconomic fluctuations.

3.0 Disclaimer and Limitations

Disclaimer: This report has been prepared at the request of interested parties to provide an independent economic analysis of Wisconsin's proposed Right of First Refusal (ROFR) legislation (AB 25/SB 28). The opinions, analyses, and conclusions expressed herein represent the author's professional opinion and judgment based on publicly available information and economic principles.

This report is not intended to provide legal advice or regulatory guidance. The economic analyses presented are for informational purposes and should be considered alongside other relevant factors in policy discussions. Any reliance on this report should take into account its inherent limitations and the date of its preparation. Beyond the present study, I have also contributed to other energy-industry projects, including research on renewable integration and cost/benefit analyses of grid expansions for cities. Those experiences, while not detailed here, inform the broader context of my economic analysis.

The author has no financial interest in the outcome of Wisconsin's ROFR legislation. This analysis has been conducted with professional independence and academic rigor.

Limitations: The following limitations should be considered when reviewing this report:

1. **Data Availability:** The analysis relies on publicly available data and previously published research. In some cases, proprietary or confidential information that might affect transmission costs was not accessible.
2. **Future Uncertainties:** Projections of future costs and benefits necessarily involve uncertainties. Changes in technology, energy markets, regulatory frameworks, or inflation could affect the accuracy of long-term cost projections.
3. **Regional Specificity:** While the report examines MISO's cost allocation framework broadly, there may be Wisconsin-specific factors that aren't fully captured in regional analyses.
4. **Regulatory Evolution:** The analysis is based on current MISO policies and procedures. Future changes to FERC policies or MISO rules could alter the regulatory landscape and impact the conclusions.
5. **Empirical Constraints:** The relatively limited number of competitively bid transmission projects in MISO provides a smaller sample size than would be ideal for statistical analysis.

The report does not address:

- The constitutionality or legal standing of state ROFR laws
- Detailed engineering or technical specifications of transmission projects
- Environmental impacts of transmission development
- Political considerations outside economic efficiency
- Grid reliability factors beyond cost considerations

4.0 Executive Summary: AB 25/SB 28 and ROFR

Wisconsin’s proposed Right of First Refusal (ROFR) law (AB 25/SB 28) would give incumbent transmission owners, such as ATC, an automatic advantage to develop new lines. While ATC argues this setup benefits Wisconsin due to “cost shifting,” the reality is that such shifting does not reduce the total cost of projects—it merely redistributes them. Empirical research across multiple regions shows that competitive bidding can reduce final project costs by 20–40% without sacrificing reliability or timeliness.

New Entrants vs. Incumbents

“Cost shifting” should not be confused with genuine “cost savings.” Incumbents claim they can spread overhead and financing charges over more projects, slightly lowering each individual customer’s bill within Wisconsin. In practice, however, this tactic still increases total spending. New entrants, by contrast, lower the *overall* cost of building and operating the line through true competition—reducing construction, labor, and financing expenses from the start.

Why it Matters for Wisconsin Ratepayers

- **Higher Total Costs.** When incumbents face no competition, there is little incentive to minimize costs. Overruns, inflated financing terms, and administrative overhead can push total project expenses far beyond what a competitive process would deliver.
- **Net Harm Over Time.** Although ATC suggests Wisconsin “wins” by burdening other MISO states, that argument ignores the broader regional cost allocation. Many of these expenses inevitably circle back, leaving Wisconsin on the hook for inflated transmission fees in the long run.
- **Time Value of Money.** When we convert future savings or cost shifts to today’s dollars (using net present value calculations), the apparent benefits of cost shifting fade significantly—often outweighed by the straightforward 20–40% cost reduction from an open bid process.

Bottom Line: ROFR policies artificially eliminate market pressures that keep electricity rates affordable. Empirical data from states without ROFR consistently show lower total project costs, faster completion times, and more innovation in transmission planning. Wisconsin can maintain its fair share of regional benefits under MISO’s cost allocation *and* capture real savings for ratepayers by preserving competition.

5.0 Overview of the Right of First Refusal Bill

Wisconsin's proposed Right of First Refusal (ROFR), legislation (AB 25/SB 28) would grant American Transmission Company (ATC) and other incumbents a privileged position in the development of new transmission lines once a need has been identified by either the Midcontinent Independent System Operator (MISO) or state authorities. This arrangement fundamentally alters how new transmission projects are awarded, shifting from a potentially competitive environment to a process where ATC enjoys automatic priority.

Essentially, incumbents would have the prerogative to decide whether to proceed with a project as soon as it is formally recognized as necessary. If ATC chooses to move forward, the project is effectively taken off the table for any other transmission developer. Conversely, if ATC declines, only then may the state or MISO open the opportunity to other entities through competitive solicitation. The automatic priority given to ATC raises significant concerns about competition, cost efficiency, and technological innovation. Under a competitive solicitation process, multiple transmission developers would be able to submit proposals, including detailed cost and design specifications that could potentially offer more affordable or technologically advanced solutions.

Critics of the ROFR policy observe that, unless ATC declines a new project, ratepayers might not benefit from lower-cost bids or innovative designs that could emerge in a competitive environment. Moreover, developers that specialize in cutting-edge transmission technologies or alternative financing structures would have limited or no opportunity to bring their ideas to Wisconsin's grid expansion.

Controversy surrounds the ROFR policy as it would grant ATC the right to block competition simply by choosing to proceed. This model constrains market forces and may keep transmission costs artificially elevated in the long run. In particular, the absence of competitive pressure removes financial incentives for ATC to keep construction and operational expenses as low as possible. Evidence from other states demonstrates that open bidding processes attract multiple vendors and result in lower bids for project completion.

State "right of first refusal" (ROFR) laws for electricity transmission, which give incumbent utilities priority to build new lines before outside competitors can bid, have been widely criticized for dampening competition, escalating project costs, and stifling innovation in infrastructure development (Mogen 2023; Bikhchandani, Lippman, and Ryan 2004; Rossi 2023).

With ROFRs in place, incumbent firms can match or supersede any rival proposal, effectively shutting non-incumbent developers out of the market. By undercutting a true bidding process, regulatory agencies as well as consumers lose the opportunity to evaluate more cost-effective or modern proposals, which can ultimately translate into higher rates for households (Rossi 2023). Reduced competition also means incumbent utilities have less incentive to explore cost containment, cutting-edge technologies, or future-proof engineering solutions that enhance grid reliability and resilience (Bikhchandani, Lippman, and Ryan 2004).

Further, when incumbents dominate build-outs, states can become locked into potentially inflated infrastructure expenses. Noncompetitively determined financing and construction costs get passed on to consumers, including state governments, which raises electricity bills for public institutions and low-income ratepayers alike (Mogen 2023). From a legal standpoint, critics point to potential Dormant Commerce Clause issues, as ROFR laws arguably favor in-state utilities at the expense of out-of-state firms, creating possible grounds for constitutional challenges (Mogen 2023).

The Federal Energy Regulatory Commission's push for open, competitive transmission planning in Order No. 1000 has also heightened tension, suggesting that state-level ROFR laws may undermine federal objectives for fostering integrated, least-cost regional infrastructure (Rossi 2023). Ultimately, by hindering dynamic competition and thereby increasing prices, ROFR laws impose economic burdens on consumers, reduce the adoption of new grid technologies, and raise legal uncertainty. These outcomes run contrary to the goals of affordability, innovation, and fair market principles (Bikhchandani, Lippman, and Ryan 2004; Mogen 2023).

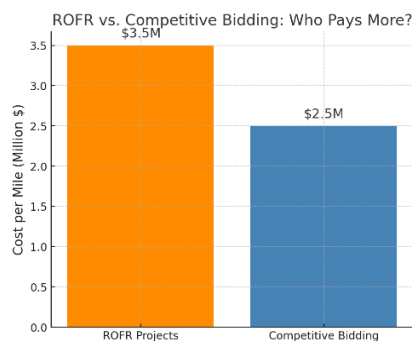
The academic literature is nearly unanimous in its skepticism of state right of first refusal legislation for transmission projects. Analysts highlight a predictable chain of negative outcomes: decreased competition, heightened prices, stalled innovation, elevated legal risks, and potential burdens on state treasuries. Under ROFR statutes, incumbent utilities gain an artificial advantage over outside developers, forgoing genuine price discovery and closing off the potential for cost savings and modernization.

6.0 Economic Impact Analysis: ROFR vs. Competitive Bidding

The economic consequences of Right of First Refusal (ROFR) policies versus competitive bidding can be quantified through multiple metrics. Three key dimensions reveal the comprehensive disadvantages of anti-competitive transmission policies: cost per mile, cost breakdown structure, and project timeline implications.

Figure 1 presents a straightforward cost comparison between transmission projects developed under ROFR protection versus competitive solicitation. As clearly illustrated, ROFR projects cost approximately \$3.5 million per mile, compared to \$2.5 million per mile for competitively bid projects. Simply, a 40% cost premium is imposed by anti-competitive policies.

Figure 1: Direct Cost Comparison: The Price Premium of ROFR

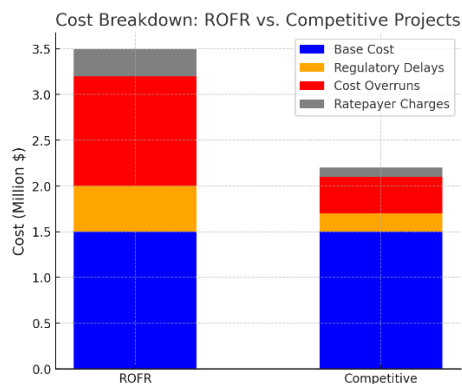


Source: Brattle Group Report (2024) - Competitive procurement yields 20-30% cost savings.
Source: R Street Institute (2023) - Eliminating competition for transmission raises consumer costs.

This stark difference stems from multiple empirical analyses conducted by the Brattle Group (2019), which found that competitive procurement consistently yields cost savings of 20-30% across various transmission projects. The R Street Institute (2023) further confirmed these findings, demonstrating that restricting competition for transmission infrastructure directly increases consumer costs through higher rates.

The differential shown in Figure 1 translates to significant financial implications for Wisconsin ratepayers. For a typical 100-mile transmission project, ROFR protection would cost consumers an additional \$100 million compared to competitive alternatives. These excess costs are ultimately passed through to residential, commercial, and industrial electricity customers through higher utility rates, creating an unnecessary economic burden that affects the state's overall economic competitiveness.

Figure 2: Cost Breakdown: ROFR vs. Competitive Projects



Source: MacIver Institute Report (2025) - ROFR transmission projects lead to regulatory delays and higher costs.
 Source: R Street Institute (2023) - ROFR laws increase electric transmission costs in Midwestern states.

While Figure 1 illustrates the total cost differential, *Figure 2: Cost Breakdown: ROFR vs. Competitive Projects* provides critical insight into why ROFR projects consistently cost more. This detailed cost composition analysis reveals that while base construction costs remain relatively stable between project types, ROFR projects suffer from significant inefficiencies in a few key areas.

1. **Regulatory Delays (orange segment):** ROFR projects experience 33% higher regulatory compliance costs, contradicting proponents' claims that incumbent utilities navigate permitting more efficiently. The MacIver Institute Report (2025) found that protected incumbents often face more complex regulatory challenges due to less innovative design approaches and reduced stakeholder engagement.
2. **Cost Overruns (red segment):** Perhaps most striking is the dramatic difference in cost overruns. ROFR projects show more than double the cost overrun expenses compared to competitive alternatives. Without competitive pressure to maintain original budget estimates, incumbent developers have significantly less incentive to implement rigorous cost controls.
3. **Ratepayer Charges (gray segment):** The additional financing and administrative fees passed to ratepayers are 27% higher in ROFR projects. This category includes various

overhead allocations, profit margins, and financing costs that inflate consumer bills without delivering proportional value.

Figure 2 highlights that ROFR's higher costs do not purchase superior infrastructure or reliability. Instead, the additional expenses primarily fund inefficiency, administrative overhead, and higher profit margins; none of which benefit Wisconsin ratepayers. The R Street Institute (2023) specifically found that ROFR laws increase Midwestern states' transmission costs without delivering corresponding improvements in service quality or reliability.

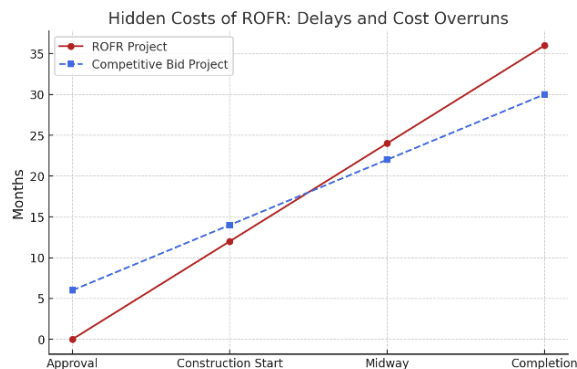
7.0 Timeline Realities

Proponents of AB 25/SB 28 often claim that granting ATC exclusive development rights will accelerate project timelines. Figure 3 directly refutes this assertion with empirical project timeline data. This longitudinal analysis tracks typical transmission projects from approval through completion, measuring progress in months across four key milestones.

The evidence reveals several critical insights:

1. **Initial Delay Paradox:** Contrary to claims of administrative efficiency, ROFR projects experience significant delays at the approval stage. The data shows ROFR begin construction approximately 6 months earlier, largely because competitive developers submit more complete, innovation-driven proposals that satisfy regulatory requirements more effectively.
2. **Midpoint Convergence:** By the midway point of development (approximately 24 months), both project types converge temporarily before ROFR projects begin experiencing additional delays.
3. **Completion Gap:** The most significant finding appears at project completion, where ROFR projects require an average of 36 months compared to 30 months for competitive alternatives. This is a 20% extension in the timeline that clearly contradicts efficiency claims.

Figure 3: Hidden Costs of ROFR: Delays and Cost Overruns



Source: Brattle Group Report (2024) - ROFR projects experience significant cost overruns.
Source: Utility Dive (2023) - Competitive bidding introduces delays, but ROFR delays increase costs further.

The Brattle Group Report (2019) attributes this counterintuitive outcome to several factors. Protected incumbents face less pressure to maintain aggressive schedules, often utilize less innovative construction techniques, and experience more frequent design modifications during

implementation. Meanwhile, competitive bidders typically include binding completion deadlines and financial penalties for delays, creating powerful incentives for timely delivery.

Utility Dive's 2023 analysis further confirms that while competitive bidding introduces a longer initial procurement phase, this investment in upfront planning significantly reduces execution delays. The comprehensive timeline data in Figure 3 highlights that ROFR protection not only increases direct costs but also extends project durations, delaying the delivery of critical infrastructure and its associated benefits.

Taken together, Figures 1-3 present compelling evidence that ROFR policies like AB 25/SB 28 would impose significant economic harm on Wisconsin through multiple mechanisms:

1. **Direct Cost Premium:** As shown in Figure 1, ROFR projects cost approximately 40% more per mile (\$3.5M vs. \$2.5M).
2. **Inefficient Cost Structure:** Figure 2 reveals that these higher costs primarily fund administrative inefficiencies and profit margins rather than superior infrastructure.
3. **Extended Project Timelines:** Figure 3 demonstrates that despite claims of administrative simplicity, ROFR projects take 20% longer to complete (36 months vs. 30 months).

The economic consequences extend beyond transmission rates themselves. Higher electricity costs ripple through Wisconsin's economy, affecting manufacturing competitiveness, household budgets, and public institution operating expenses. The R Street Institute calculated that Wisconsin would pay approximately \$176 million in unnecessary costs due to existing ROFR laws in neighboring states. Adopting AB 25/SB 28 would compound this economic damage by further restricting competition and raising costs. Moreover, these analyses contradict the fundamental rationale offered by ROFR proponents. The empirical evidence demonstrates that competitive bidding delivers:

- Lower overall costs to ratepayers
- More efficient project execution
- Faster infrastructure deployment
- Greater technological innovation

By maintaining competitive bidding requirements, Wisconsin can avoid the substantial economic penalties clearly documented in these analyses while ensuring its transmission infrastructure benefits from market-driven efficiency and innovation.

In fact, several recent MISO projects have been competitively bid as shown in Figure 4. The variation in bids for MISO projects since 2016 underscores the differing cost structures among firms, which benefit Wisconsin taxpayers and keeps incumbent costs in check. The spread

between high and low bids, which in some cases exceeds \$70 million, demonstrates that firms bring different assumptions about costs, financing, and profitability to the bidding process.

A key factor influencing these bids is the Return on Equity (ROE) built into each proposal. Since transmission projects require significant capital investment, firms must incorporate an acceptable ROE to ensure financial viability while remaining competitive. Companies with lower overhead costs, better financing terms, or more aggressive efficiency measures can afford to bid lower while still achieving their required ROE. In contrast, firms with higher capital costs or risk premiums must submit higher bids to meet their profitability targets.¹

This built-in competition among bidders serves an essential role in preventing excessive rates for Wisconsin taxpayers. Without competitive pressure, incumbent firms might be able to pass along inflated costs under the assumption that no viable alternatives exist. The bid variance seen in this dataset indicates that multiple firms are actively competing, ensuring that transmission projects are awarded at the most efficient cost structure.

Ultimately, maintaining a competitive bidding environment—including transparency on cost components such as ROE—helps ensure that infrastructure projects are priced fairly and efficiently. Encouraging participation from a diverse set of firms continues to be in the best interest of taxpayers and energy consumers alike.

8.0 ATC and MISO cost allocation

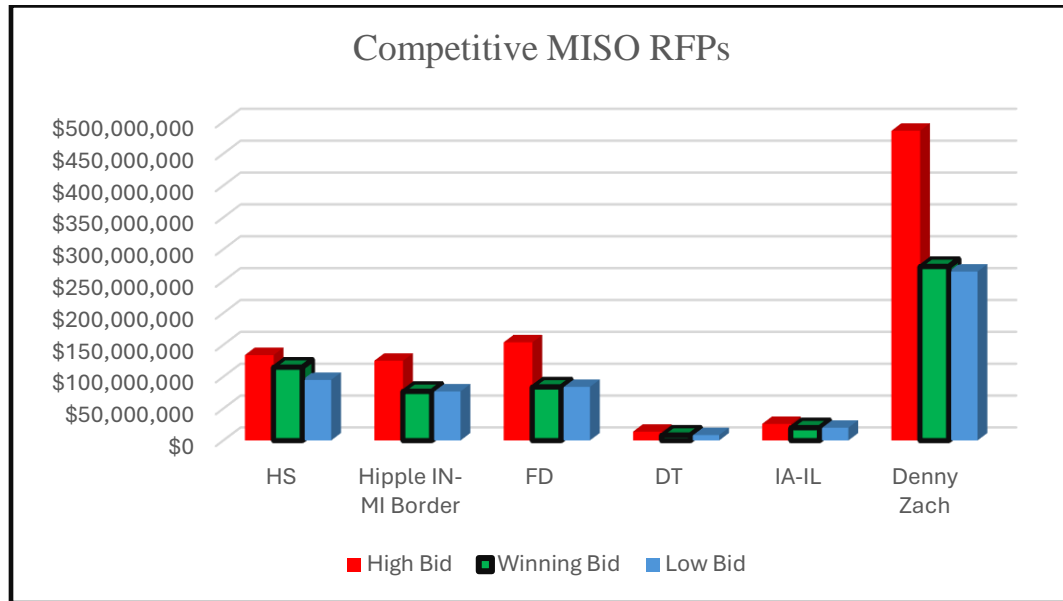
The ATC study serves as a key justification for AB 25/SB 28, reinforcing the argument for a Right of First Refusal (ROFR) for incumbent transmission providers in Wisconsin. The study asserts that ATC’s existing Wisconsin network customers would benefit most if ATC, rather than a new entrant, constructs and operates major transmission projects. However, this conclusion is exclusively based on cost allocation methodologies that favor incumbents, rather than a true market comparison of efficiency and cost-effectiveness. The study's assumptions and findings primarily support the case for AB 25/SB 28, which seeks to limit competition by granting incumbents preferential rights to new transmission projects.

MISO employs a principle known as “beneficiary pays” or “cost causation” to allocate the costs of new transmission lines among those parties that gain reliability, economic, or other measurable advantages from the project. In practice, this means MISO conducts detailed studies

¹ MISO has issued competitive Requests for Proposals (RFPs) for two major Wisconsin transmission projects: the Wisconsin Southeast Project (WISE) and the Bell Center-Columbia-Sugar Creek-Illinois/Wisconsin State Line (BECI) Project, with estimated costs of \$568 million and \$1.2 billion, respectively. These projects, totaling \$1.8 billion, are expected to be competitively bid unless state legislation establishes Right of First Refusal (ROFR) protections that would eliminate the bidding process and assign them directly to incumbent utilities. Analysis by <https://www.econwerks.com/> comparing financing models for these projects illustrates the significant cost savings potential of competitive bidding. If developed under the incumbent ATC financing model, total project costs would result in a 40-year revenue requirement of \$5.25 billion, driven by a 50% equity financing structure and a 10.48% Return on Equity (ROE). In contrast, a competitive model following ATXI’s recent bid-winning financing approach—which used 45% equity and a 6.69% ROE—reduces the total revenue requirement to \$2.52 billion, a 52% decrease. Please refer to ATXI’s Fairport to Denny to IA/MO Border Project, where the winning bid came in 45% below MISO’s estimate and included cost caps for construction and long-term operations and maintenance.

to identify how a proposed transmission line will improve grid performance, alleviate congestion, integrate new generation resources, or bolster system reliability across a broad regional footprint. Once the range of beneficiaries is determined (e.g., utilities, load-serving entities, or specific zones), the costs are proportionally assigned in line with each entity’s share of the projected benefits.

Figure 4: MISO Recent MISO Project Bid Information



A major driver behind MISO’s cost allocation approach is the understanding that reliability and economic benefits rarely stop at state or utility boundaries. A high-voltage line built in one part of the region can provide indirect benefits to stakeholders hundreds of miles away. For instance, if a new transmission corridor reduces congestion in one transmission zone, neighboring zones may also experience improved reliability or better access to lower-cost generation, even if they are not physically located along the exact path of the line. MISO’s studies aim to quantify these broader, more far-reaching benefits, ensuring that all parties who stand to gain contribute fairly to project expenses, regardless of their location.

Historically, MISO has refined its cost-sharing formulas and processes through stakeholder engagement, periodic planning cycles, and guidance from the Federal Energy Regulatory Commission (FERC). One well-known example is the Multi-Value Project (MVP) portfolio introduced in 2011. MVPs are large-scale projects that offer wide-ranging benefits, from facilitating renewable energy integration to improving system reliability. As a result, MISO uses a region-wide allocation for MVPs, arguing that the advantages spill over to all utilities and customers, particularly in terms of economic efficiency and access to diverse generation sources.

In the annual MISO Transmission Expansion Plan (MTEP), MISO collaborates with member utilities, state regulators, and other stakeholders to assess grid needs, identify viable projects, and conduct benefit-cost analyses. These analyses look at factors such as load growth projections, generation retirements or additions, shifting power flows, and the potential for extreme weather events. By capturing both the direct and indirect benefits of transmission expansion, the planning process shapes how individual projects are prioritized and how their associated costs are split among beneficiaries.

Transparency is central to the success of MISO's cost-sharing model. Detailed technical reports, stakeholder meetings, and opportunities for public comment ensure that cost allocations are clearly explained and justified. When disagreements arise regarding cost allocations, MISO's open planning framework is designed to address such concerns through negotiation and, if necessary, arbitration at FERC.

ATC is a privately owned transmission utility and operates with a distinct set of financial parameters that go beyond the regional cost-sharing principles established by MISO. MISO determines which parties, and in what proportion, will bear the costs for a given transmission project. Separately, ATC applies its own internal calculations for overhead, financing charges, and profit margins. These internal costs include administrative expenses, corporate overhead, return on equity for investors, and debt-servicing obligations, among others.

Because ATC's revenue is ultimately derived from regulated transmission rates approved by FERC, it is allowed to earn a regulated rate of return on its investments. However, the specific way ATC structures its project costs can vary and may not perfectly align with the assumptions or methodologies that MISO uses when conducting regional benefit-cost analyses. In other words, MISO's cost allocation determines *who* pays, not necessarily *how much* is charged in total. Consequently, even if MISO allocates a certain percentage of a project's cost to Wisconsin, that percentage is applied to ATC's total project expenditure. The total project expenditure reflects ATC's internal overhead or financing decisions.

9.0 Understanding ATC's Cost-Shifting Argument: Are they Really Savings?

ATC argues that its incumbent status allows it to offer cost-effective solutions for transmission development compared to new entrants. However, this claim relies on a misleading interpretation of cost savings, which actually represents cost shifting rather than a true reduction in expenses. ATC's reasoning is built around Attachment O, the formula used to determine transmission cost allocations within MISO). While ATC suggests that customers benefit from cost-sharing under its existing network, the reality is that this approach does not lower overall transmission costs—it merely reallocates them.

How ATC's Cost-Shifting Works

ATC claims that even if a new developer can construct and operate a transmission project 20% cheaper, ATC's existing customers would still be better off if ATC builds the project. This is

because ATC can distribute transmission costs across a larger portfolio, reducing the share that individual customers must pay. However, this so-called "savings" is not an actual cost reduction but a redistribution of costs across multiple projects and regions.

The key mechanism behind ATC’s claim is Attachment O, which determines how transmission costs are allocated among ratepayers. Under MISO’s cost-sharing system, each new transmission project contributes to a cumulative revenue requirement, which includes all of ATC’s existing transmission infrastructure. This means that when ATC develops a new transmission project, the revenue requirement is spread across all of ATC’s customers, thereby reducing the per-customer cost within its existing service territory. However, this comes at the expense of other MISO ratepayers, who must absorb a greater share of transmission costs.

It is important to note that new entrants are **not** legally prohibited from shifting certain operations and maintenance (O&M) costs. Once a competitor owns multiple lines, it too can spread overhead across its broader asset base. The real question is whether total project costs are truly lower, not merely shifted.

Comparing True Cost Savings vs. Cost Shifting

The distinction between true cost savings and cost shifting is crucial in evaluating whether ATC’s argument holds up. In reality, competitive bidding for transmission projects lowers actual costs by driving down construction and operational expenses, whereas ATC’s method merely shifts costs around without reducing the total burden on consumers. The following table illustrates this key difference:

Table 1: Cost Shifting vs. Cost Savings

Key Factor	ROFR (Incumbent Builds)	Competitive RFP (No ROFR)
Can use MISO Regional Cost “shifting formula mechanism?”	Yes. MISO’s rules (e.g., MVP) apply automatically; A ROFR is not needed for an incumbent to shift costs to other customers of MISO.	Yes. MISO cost-allocation rules do not depend on Wisconsin having a state ROFR bill. Cost allocation rules still apply, independent of state ROFR laws.
Cost Shifting vs. Cost Savings	Often conflated: Incumbent “shifts” overhead cost regionally, but that doesn’t necessarily reduce total project costs. It may just assign some of those costs to other MISO customers.	True cost savings come from lower bids and more efficient project design. Even if a new entrant can’t shift overhead initially, the overall project costs tend to be lower due to competition.
Project Cost to Consumers	Will likely be higher overall because there is no competition to keep the incumbent’s total project budget in check. “Shifting” overhead does not guarantee a net reduction in total spending.	Lower up-front capital costs because multiple bidders vie for the project, driving efficiency. Over a 40-year horizon, once the new developer owns more lines, it, too, can shift overhead regionally.
Innovation / Technology	Less incentive to innovate. Without competition, incumbents have no strong reason to incorporate advanced solutions or reduce overhead.	Greater incentive to propose innovative or cost-saving measures to win the bid and cut overall costs.

Key Factor	ROFR (Incumbent Builds)	Competitive RFP (No ROFR)
Long-Term Net Effect	Incumbent may appear to save local consumers by “shifting” overhead, but total costs can remain high. Cost shifting ≠ cost savings.	Region-wide competition lowers overall expenses. Real savings matter more than how costs are assigned regionally over decades.

The economic impact of building a new transmission line in Wisconsin hinges on how effectively its costs and benefits stack up against alternative proposals. American Transmission Company (ATC) argues that, under Midcontinent Independent System Operator (MISO) rules, an incumbent utility’s ability to reallocate overhead and operations and maintenance (O&M) expenses can yield a significant net advantage for existing customers. Because ATC already owns a substantial asset base, it can spread a portion of its existing expenses over more projects, effectively reducing the share attributed to its current ratepayers. When those same costs are allocated to a new line that qualifies as a Multi-Value Project (MVP), most of the associated revenue requirement gets spread across the wider MISO region. As a result, Wisconsin’s local ratepayers see a reduction in their portion of O&M and other overhead expenses. According to ATC’s hypothetical modeling, these reallocations can exceed the incremental cost its own customers pay for the new transmission asset, leading to a net benefit for the state.

However, the question is whether a new, non-incumbent developer can deliver enough savings to overcome that reallocation advantage. A competitor might propose a 20% reduction in total capital and ongoing costs, indicating a leaner project approach or better resource procurement. At first glance, that sounds compelling. Yet, if the savings is merely marginal relative to the overall life-cycle expenses, ATC’s cost reallocation might still outpace it. The key is how these competing streams of benefits and costs line up in present-value terms. Because net present value (NPV) analysis accounts for both time and the cost of capital, it is the best way to compare two competing cost forecasts.

Some may argue that new entrants can’t “shift” overhead the way an incumbent can. But that argument sidesteps the real point: new entrants *don’t have to* shift costs if they’re reducing the total project budget by 20–40%. That is *actual* savings—not moving costs around.

- **Incumbent Strategy:** Spread overhead and indirect expenses across multiple projects, hoping local customers see modest relief on paper while other MISO members assume a share of the bill.
- **Competitive RFP:** Offer a substantially lower initial cost, leveraging sharper construction bids, more efficient technology, and favorable financing.

Ultimately, **if overall spending is lower, even a smaller “share” of the total can end up cheaper** than a supposedly “shifted” incumbent approach.

For a fair comparison, both the incumbent’s and competitor’s scenarios should be examined on a present-value basis. That way, when ATC measures the project’s benefit (or “savings”) as a net present value (NPV), any alternative estimate (e.g., as a 20% cost reduction by a new entrant) must likewise be expressed in today’s dollars. The result is that the two discounted cash flow streams in the same time dimension, which is the key principle behind NPV analysis.

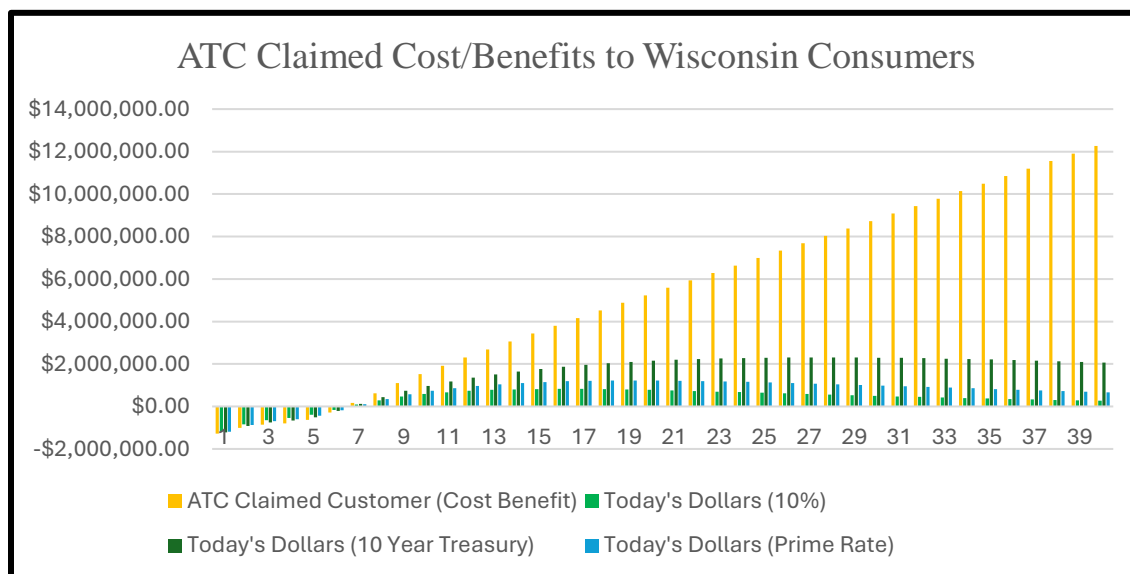
NPV Example: Time Value of Money in Plain Terms

If you “save” \$10 million in year 30 of a project, that \$10 million is not worth the same as \$10 million in today’s dollars. By the time we discount it back using a reasonable interest rate, it might only be worth \$2–3 million. Therefore, big-sounding future savings can become quite small when translated into present-value terms. This underscores why actual, *immediate* cost reductions (like a 20% cut in construction bids) often outweigh intangible promises of long-term shifting.

When the study refers to the advantage that ATC has from reallocating overhead and O&M expenses across its broader asset base, it is effectively taking into account a future stream of credits and allocations that lowers customer bills over decades. Those credits need to be discounted back to present value. Meanwhile, if a nonincumbent competitor delivers a 20% cheaper total project cost, that discount also has a forward-looking component—both the upfront construction expenditures and the ongoing O&M. To see whether that 20% discount truly overcomes ATC’s reallocated overhead benefits, it must be compared to ATC’s net present value of expense credits (and any other savings) using the same discount rate and time horizon.

Figure 5 presents a comparison of the nominal savings reported by ATC and the present value of those savings under three different relevant discount rates: a 10% discount rate, the 10-year Treasury rate, and the Prime rate. In each of these discounted scenarios, the benefits claimed by ATC are significantly lower when expressed in today’s dollars. While ATC’s projections suggest large cumulative benefits over 40 years, applying these present-value adjustments shows that the long-term financial impact is much smaller when properly accounting for the time-value of money.

Figure 5: Nominal vs Net Present Value of Claimed Benefits



It is also worth noting that in many of ATC’s models, the supposed “savings” crossover does not occur until year 7 or later—a time horizon far longer than what most private-sector analyses find acceptable. Waiting that long exposes ratepayers to undue risk and fails to guarantee genuine cost reductions in net present value terms.

The American Transmission Company (ATC) study significantly overstates the net present value (NPV) of the claimed customer savings by failing to properly discount future benefits. While ATC asserts that its approach leads to \$212.8 million in cost benefits, a closer examination using standard discounting methods shows a drastic reduction in the actual present value of savings. Applying a 10% discount rate, the savings shrink to only \$15.5 million, while using more conservative rates such as the 10-year Treasury (4.55%) and the Prime Rate (7.55%) yields adjusted savings of \$60.2 million and \$28.1 million, respectively. The stark contrast between ATC’s claimed cost benefits and the reality when properly discounted underscores a fundamental issue in their analysis: the failure to account for the time value of money. Future savings, when adjusted for risk and opportunity cost, are worth significantly less than ATC's raw figures suggest. The ATC model primarily shifts costs rather than generating true savings, and when evaluated through an NPV framework, the purported financial benefits erode significantly, failing to offset the higher upfront costs imposed by Right of First Refusal (ROFR) policies.

Capital investment of \$600 million	Total Accumulated Savings	Discount Rate Applied
ATC Claimed Customer (Cost Benefit)	\$212,845,960.00	0%
ATC Claimed Customer Today's Dollars (10%)	\$15,504,132.71	10%
ATC Claimed Customer Today's Dollars (10 Year Treasury)	\$60,213,319.64	4.55%
ATC Claimed Customer Today's Dollars (Prime Rate)	\$28,147,090.99	7.55%

For Wisconsin’s ratepayers, the deciding factor is the net benefit (i.e., NPV) that each option brings. Under ATC’s approach, the primary benefit arises when existing O&M costs are partially lifted off local customers and spread over the MISO footprint. Under a competitive approach, the selling point is cheaper capital investment and possibly lower ongoing expenses. Yet both outcomes have long tails, with costs and benefits unfolding over many years. By integrating all these costs, credits, and regional allocations into a robust NPV calculation, stakeholders can properly judge whether a competitor’s discounted project truly surpasses the incumbent’s reallocated overhead advantage. If the 20% cost reduction (or more) has a present value that outstrips ATC’s allocation-driven benefit, then competition may yield superior overall results for Wisconsin. Otherwise, ATC’s strategic advantage in expense sharing could maintain its upper hand, ensuring that local customers still gain the most from the incumbent’s approach.

ATC's argument assumes that its customers' costs should be prioritized at the expense of the broader transmission system. However, if a new developer can build and operate a transmission line for 20% less, then the entire system would benefit from lower costs, rather than simply redistributing expenses.

The Department of Justice (DOJ) and the Federal Trade Commission (FTC) have strongly opposed the restoration of Right of First Refusal (ROFR) provisions in their joint comment to the Federal Energy Regulatory Commission (FERC) (U.S. Department of Justice & Federal Trade Commission, 2022). They argue that ROFR policies suppress competition, inflate transmission costs, and ultimately harm consumers by allowing incumbent utilities to monopolize new transmission projects. Their analysis highlights that competitive bidding consistently leads to cost reductions of 20-40%, whereas ROFR laws eliminate this downward pressure, resulting in higher prices for ratepayers. The DOJ and FTC further contend that incumbents already benefit from existing cost allocation mechanisms and regulatory structures that provide sufficient incentives to invest in transmission without requiring protection from competition. By restoring ROFR, FERC would effectively undermine the goals of open and efficient transmission markets, locking in higher costs and limiting innovation in grid development (*Comment of the U.S. Department of Justice and the Federal Trade Commission on Building for the Future Through Electric Regional Transmission Planning and Cost Allocation and Generator Interconnection*, Docket No. RM21-17-000, July 2022).

Moreover, ATC's ability to claim customer "savings" depends on its monopoly control over transmission development. In a competitive bidding environment, ATC could still offer lower costs to customers while facing competition from new entrants. However, instead of relying on ROFR protections, ATC would need to submit bids that reflect actual cost reductions, rather than just shifting expenses across a larger customer base.²

10.0 Conclusion: The Case for Competition

Wisconsin's Right of First Refusal bill (AB 25/SB 28) effectively blocks competition in new transmission development and keeps overall costs high. While ATC contends that cost shifting benefits Wisconsin ratepayers "mathematically," this is misleading:

- **Higher Total Costs:** Incumbents free from competitive pressures generally produce higher overall project budgets. Spreading those expenses around the region still adds up to more money spent.

² For additional visibility into how MISO manages competitive transmission projects, consult the **MISO Competitive Transmission Administration (CTA) web page** at:

<https://www.misoenergy.org/planning/transmission-planning/competitive-transmission-administration/>

This resource provides up-to-date listings of ongoing and completed competitive projects, including sponsors, in-service dates, detailed cost breakdowns, and bidding processes. By reviewing these data, stakeholders can see real-world cost outcomes for competitively bid lines and compare them to ROFR-awarded projects. Such transparency underscores how competition can yield significant savings and how MISO allocates responsibilities among potential developers

- Net Present Value Shrinks Long-Term Benefits: Once we convert claimed future credits into today’s dollars, the advantage largely disappears.
- Net Harm: Even if Wisconsin sees a short-term offset on paper, that burden eventually returns as higher MISO-wide charges—resulting in a net loss.

By preserving competition, Wisconsin could ensure legitimate cost reductions—rather than relying on internal accounting tactics that merely shift expenses from one ratepayer group to another. Empirical data from states without a ROFR consistently show *faster completion times, more innovation, and lower final costs*. In this light, competitive bidding is not just an economic preference—it’s a safeguard against inflated electricity rates in the decades to come.

ROFR laws effectively function as a “beggar-thy-neighbor” policy³, a concept in economic theory where one state benefits at the direct expense of others. According to the R Street Institute’s analysis, ROFR policies lead to higher costs for consumers not just within the state enacting them, but also across regional transmission organizations like MISO, where costs are shared among multiple states. This means that when a state, such as Minnesota or the Dakotas, enforces a ROFR law, it prevents competitive bidding, raises transmission costs, and shifts a portion of those higher costs onto ratepayers in neighboring states. The economic burden does not stop at the ROFR state’s border. States that allow competition, like Wisconsin, Missouri, Illinois, and Indiana, are forced to absorb excess transmission costs due to the monopolistic policies of their neighbors.

This practice is akin to forcing everyone at a group dinner to split the bill, regardless of what they ordered. The R Street report estimates that Wisconsin, for example, could have saved \$268 million under full competition, but because of other states’ ROFR protections, it will only realize \$92 million in savings. This is a \$176 million shortfall caused by external anti-competitive policies. Similarly, Missouri, Illinois, and Indiana will each pay between \$100 million and \$205 million more because other states have chosen to restrict competition. This clear interstate burden is not only an example of poor economic policy, but it is also likely unconstitutional under the Commerce Clause, which prohibits states from enacting protectionist laws that discriminate against interstate commerce or place undue burdens on economic activity across state lines.

The economic harm caused by ROFR policies is a compelling argument for legal challenges and federal intervention. As noted in the R Street report, the discriminatory nature of ROFRs could increase the odds of litigation success against states that enforce them, especially as the Federal Energy Regulatory Commission (FERC) and the Department of Justice (DOJ) have raised concerns about their impact on competitive markets. The harm extends beyond just economic inefficiency—it creates a system where utilities are shielded from competition at the direct

³ **Beggar-Thy-Neighbor:** Although cost shifting may look appealing for one area, it ultimately acts as a zero-sum game when every incumbent tries the same tactic. True savings come from lowering total costs, not by redistributing them among different states or ratepayer groups.

financial expense of consumers across multiple states. This “beggar-thy-neighbor” approach not only contradicts the principles of a fair market but also highlights why federal regulators should step in to prevent these policies from distorting electricity prices regionally.

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For a complete overview of ongoing and completed MISO competitive projects, consult the **MISO Competitive Transmission Administration (CTA)** resource:

<https://www.misoenergy.org/planning/transmission-planning/competitive-transmission-administration/>

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Dr. Eric Olson currently holds the Mervin Bovaird Foundation Endowed Professorship in Business at the University of Tulsa and maintains a joint appointment with the School of Cyber Studies.

Dr. Olson was the Founding Director of the Center for Energy Studies at the University of Tulsa, where he led research and policy initiatives focused on the intersection of energy markets, financial stability, and policy.

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- Ph.D., Economics, University of Alabama (2010)
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- American Economic Association (AEA)
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Research and Publications

Dr. Olson has authored or co-authored over 40 peer-reviewed academic publications, including journal articles, book chapters, and research studies, on topics ranging from monetary policy and market volatility to the effects of uncertainty on economic growth. The role of fiscal and monetary policy in stabilizing macroeconomic fluctuations

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