UNITED STATES OF AMERICA
Before the
FEDERAL ENERGY REGULATORY COMMISSION

Midcontinent Independent System Operator, Inc.	)	Docket No. ER13-1938-000
Southwest Power Pool, Inc.	)	Docket No. ER13-1937-000
	)	(not consolidated)

NOTICE OF INTERVENTION AND COMMENTS OF THE ORGANIZATION OF MISO STATES

Pursuant to Rules 211 and 214(a)(2) of the Rules of Practice and Procedure of Federal Energy Regulatory Commission ("Commission"), 18 C.F.R. §§ 385.211 and 385.214(a)(2), and the Notice issued by the Commission on August 8, 2013, establishing September 9, 2013, as the deadline for intervention and comment in these proceedings, the Organization of MISO States ("OMS") respectfully submits the following Notice of Intervention and Comments in the above-captioned dockets regarding the interregional Order 1000 compliance filings submitted to the Commission by the Southwest Power Pool, Inc. ("SPP") and Midcontinent Independent System Operator, Inc. ("MISO") regional transmission organizations ("RTOs") on July 10, 2013.

I. Notice of Intervention

Pursuant to Rule 214(a)(2) of the Federal Energy Regulatory Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214(a)(2), the OMS submits its Notice of Intervention in the above-captioned proceedings. Service of all pleadings, documents, and communications in this matter should be made on the following:

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The OMS is a non-profit, self-governing organization of representatives from each state[1] with regulatory jurisdiction over entities participating in MISO. The purpose of the OMS, acting as the regional state committee for the MISO region, is to coordinate regulatory oversight among the states; to make recommendations to MISO, the MISO Board of Directors, the Commission, other relevant government entities and state commissions as appropriate; and to intervene in proceedings before the Commission to express the positions of OMS member agencies.

II. Background

Order 1000 placed numerous compliance requirements on MISO and its neighboring transmission providers.[2] For example, Order 1000 requires both MISO and SPP to address interregional transmission project coordination and cost allocation requirements between their respective regions. MISO and SPP could not reach agreement on all of the aspects of their compliance with Order No. 1000's interregional requirements and therefore, have made separate interregional compliance filings. Specifically, Docket No. ER13-1938 is MISO's compliance filing proposing revisions to the Joint Operating Agreement ("JOA") between MISO and SPP. Docket No. ER13-1937 is SPP's filing which largely mirrors MISO's proposed JOA with notable exceptions discussed below.

Recently, with the Commission's approval, MISO also changed its practice so that regional Baseline Reliability Projects ("BRP") may no longer be cost shared within MISO.[3]

[1] Includes the Province of Manitoba, Canada, and the City of New Orleans.
[2] *Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities*, ("Order 1000"), FERC Stats. & Regs. ¶ 31,323 (2011), *order on reh'g*, Order No. 1000-A, 139 FERC ¶ 61,132, *order on reh'g*, Order No. 1000-B, 141 FERC ¶ 61,044 (2012).
[3] *Midwest Independent Transmission System Operator, Inc., et al.*, 142 FERC ¶ 61,215 at ¶ 518 (2013) ("March 22 Order").

III. OMS Comments

In general, the OMS commends MISO for working with all of its neighbors to establish or amend their respective interregional joint coordination agreements, in order to further support joint coordinated planning and cost allocation efforts going forward. It has been a substantial task to undertake, given the degree of differences between all the neighboring planning regions.

With respect to the interregional filings between MISO and SPP, the OMS addresses the current conundrum between MISO's regional cost allocation change for reliability projects and the impacts on interregional transmission planning and cost allocation. OMS members offer two different views of how the Commission might address this conundrum, presenting arguments for two Options. Option 1 requests the acceptance of MISO's proposed MEP-only consideration for the MISO-SPP JOA and proposes that the Commission adopt the voluntary negotiated approach for cross-border reliability projects proposed by MISO in its cross-border filing with PJM (ER13-1943). Option 2 requests the inclusion of reliability projects for interregional project consideration and associated cost allocation methods within the MISO-SPP JOA. The OMS also discusses further concerns, including, the use of the word "transmission issue" within the JOA; a lack of clarity, based on a dispute between MISO and SPP, in either MISO or SPP's filing about whether or not cost overruns on projects would be shared equally; and symmetry between MISO's North and South zones during the Entergy transition period.

A. Interregional Baseline Reliability Projects

In its March 22 Order, the Commission approved MISO's proposal to change the cost allocation for Baseline Reliability Projects ("BRP"), which had previously been cost shared beyond the project's local pricing zone, so that BRP costs are now only allocated to the local

pricing zone.[4] This means that BRPs no longer meet the Order 1000 definition of projects selected in a regional transmission plan for purposes of cost allocation. Intervenors and commenters had alerted the Commission to the possibility that this cost allocation change could impact interregional transmission planning and cost allocation.[5] However, the Commission determined that the interregional impact of this decision was "beyond the scope" of that proceeding and "premature."[6] This issue has now matured and the consequences of this decision are now becoming apparent.

All of MISO's interregional compliance filings appear to meet most of the requirements of Order 1000 interregional transmission planning and cost allocation, but all have the same problematic issue regarding interregional cost allocation for interregional reliability projects. This issue is a direct result of the change in BRP cost allocation approved by the Commission in its March 22 Order.

Order 1000 and Order 1000-A established that one of the requirements for a project to be considered as an interregional project with interregional cost allocation is that the project must be "selected in a regional transmission plan for purposes of cost allocation."[7] Due to the March 22 Order BRPs no longer meet that requirement and, under Order 1000 and Order 1000-A, can no longer be interregional projects. As a result, MISO has had to propose along all of its seams either the elimination of cross-border BRPs and interregional cost allocation for cross-border BRPs, or to have no cross-border reliability projects and no interregional cost allocation for such projects. Consequently, the change in BRP cost allocation, together with the Order 1000 interregional requirements, has led to the situation of Order 1000 eliminating interregional

[4] *Id.*
[5] Id. at ¶ 528.
[6] Id.
[7] Order 1000-A at ¶¶ 394, 423, 500, 506, and 628.

projects, rather than its stated goal of encouraging such projects when they are more efficient or cost effective than regional BRPs.

MISO's filing regarding interregional projects with SPP addresses the issue by proposing only economic projects (MEPs) for interregional project consideration. SPP's proposal would ordinarily comply with the Order 1000 interregional requirements, but it ignores the effect of Order 1000 and Order 1000-A on BRPs that are not selected in a transmission plan for purposes of cost allocation. This leaves the Commission with an interesting conundrum in these proceedings: (1) change the Order 1000 requirement that interregional projects must be selected in a regional transmission plan for purposes of cost allocation; or (2) change the Joint Operating Agreements between MISO and PJM and between MISO and SPP to eliminate interregional reliability projects and/or interregional cost allocation for such projects.

MISO's proposal for negotiated cross-border reliability projects on its seam with PJM is one example of the various changes perhaps possible under Option 1. The Commission also has the options of ordering MISO to develop an interregional reliability project type with interregional cost allocation or of developing such an interregional cost allocation based on the record before it. However, in both of these instances, the Commission would also likely need to amend the Order 1000 interregional requirement that interregional projects must be selected in both RTO's regional transmission plan for purposes of cost allocation or amend its March Order approving the elimination of cost sharing for BRPs. In light of this issue, OMS concerns are spelled out in greater detail below.

Several OMS members favor resolving the conundrum by requiring creation of an interregional reliability project class. Other OMS members recommend modifying the JOA to incorporate the voluntary negotiated approach for cross-border reliability projects proposed by

MISO in its cross-border filing with PJM (ER13-1943). Neither position enjoys a majority of the 17 OMS members. The arguments for each of these two Options are presented.

1. Option 1: MISO's Proposed Changes to the MISO-SPP JOA and Cost Allocation Methodology Regarding Reliability Projects Should be Accepted[8]

Option 1 recommends that MISO's proposed 9.6.3.1(iii) language be accepted, so that only MISO MEPS qualify as Interregional Projects. Some OMS members share MISO's concerns about attempting to create an interregional classification for cross-border reliability projects given the local, load-serving nature of those projects and the recent termination of cost sharing for reliability projects in MISO.

Some OMS members, while supporting the concept of interregional reliability projects, do not want to interject distortions that would inappropriately advantage interregional projects over similar and perhaps better regional projects. This would likely happen if interregional reliability projects are afforded cost sharing while regional reliability projects in MISO are not cost shared. The way to prevent such a distortion for MISO stakeholders is to have a consistent cost allocation for both regional and interregional reliability projects. In other words, MISO's regional allocation for its portion of the costs of the interregional reliability projects must be the same as MISO's cost allocation for regional reliability projects. This consistency on internal reliability cost allocation should not be construed as a constraint on the diversity of criteria for reliability project selection and cost allocation between RTOs that might be negotiated at different seams, but as a necessary measure to maintain the terms of MISO's tariff.

If the Commission is persuaded that there needs to be some mechanism for cost sharing of interregional reliability projects at the MISO/SPP seam, instead of adopting the SPP proposal,

[8] OMS members favoring Option 1 are: Illinois Commerce Commission, Iowa Utilities Board, Kentucky Public Service Commission, Minnesota Public Utilities Commission, Montana Public Service Commission, City of New Orleans, North Dakota Public Service Commission, South Dakota Public Utilities Commission, and Texas Public Utility Commission.

OMS members supporting Option 1 suggest that language similar to that proposed by MISO in its Order 1000 Interregional MISO-PJM JOA Filing be included for reliability projects. The negotiated voluntary approach MISO proposed for its seam with PJM is workable on all MISO seams. These OMS members support consistency of intra-MISO cost allocation for the portion of interregional projects assigned to MISO, for each of the MISO seams.

As an example of how the MISO/PJM proposal would work for the SPP/MISO seam, consider the scenario where a MISO member and an SPP member each have a pending reliability project. Through the joint planning process, MISO and SPP identify an alternative interregional project that is more efficient and cost effective than the individual projects. In that case, the member participants would negotiate a cost allocation based on benefits. Given that the project is more efficient and cost effective, this should benefit both parties such that an agreement will be reached. To the extent that they cannot reach agreement, then each will still have the option of building the individual project to address the need for its customers - which is still demonstrated as a local customer/reliability need.

MISO's proposal for the PJM seam is superior to SPP's proposal to create a new reliability project category because MISO's proposal does not create an obligation for one utility to build a project for another utility when there is no benefit to it, and it does not require expensive cross-border studies every time a utility needs to replace a minor piece of transmission equipment that serves a reliability function. OMS members supporting Option 1 oppose these potential unintended consequences of SPP's proposal. Following the model MISO established for the MISO-PJM border, MISO and SPP could be required, in a future compliance filing, to include a provision where SPP and MISO utilities may negotiate on interregional projects to

solve identified reliability issues and perhaps develop cost allocations on a project-by-project basis.

2. Option 2 - MISO and SPP Should Have an Interregional Project Type Specifically Focused on Reliability Issues[9]

Some OMS members support an interregional reliability project category with an interregional cost allocation between MISO and SPP.

The heart of the disagreement between MISO and SPP regarding regional project classification and approval as a criterion for interregional project eligibility lies in the proposed modifications to Section 9.6.3.1, more notably subsection "iii" of the JOA. Specifically:

> **MISO's Proposed Section 9.6.3.1(iii):[10]**
> The project is approved as a market efficiency project under the terms of the MISO OATT and approved as an Interregional Project under the terms of the SPP OATT;

> **SPP's proposed Section 9.6.3.1(iii):[11]**
> The project is approved by both Parties in their respective regional planning processes as outlined in their respective OATTs, pursuant to Section 9.3.3.6;

SPP supports allowing all project types, including reliability projects approved in both RTOs, to be eligible for interregional project consideration. In contrast, MISO is proposing that only certain projects, which are approved as a Market Efficiency Project (MEP) in MISO and an interregional project in SPP, be eligible for interregional project consideration.

MISO's rationale for not allowing interregional reliability projects includes: (1) MEPs, per the MISO Tariff can address reliability issues if reliability projects meet both the MISO Baseline Reliability Project ("BRP") classification, as well as the MEP classification,[12] and (2) reliability project upgrades needed to address reliability issues that are a direct result of the

[9] OMS members favoring Option 2 are: Arkansas Public Service Commission, Indiana Utility Regulatory Commission, Michigan Public Service Commission, Missouri Public Service Commission, and Wisconsin Public Service Commission.
[10] MISO July 10 Filing in Docket ER13-1938, at ¶ 63.
[11] SPP July 10 Filing in Docket ER13-1937, at ¶ 93.
[12] MISO Open Access Transmission Tariff, Attachment FF, Section III.A.2.h.

proposed economic project will be included in the interregional project total cost.[13] Conversely, SPP supports including reliability projects for two reasons: (1) if only economic projects are approved, under MISO's MEP approval criteria, then reliability projects alone would not qualify for interregional consideration; and (2) reliability benefits cannot be quantified in such a manner that would allow for evaluation using only the proposed economic benefits criteria found within the MEP evaluation process (i.e., Adjusted Production Cost and benefit-cost ratio greater than 1.25).

In light of these differences and to provide for consistency between MISO's coordination agreements with its seams, Option 2 recommends that the MISO-SPP JOA be amended to include a project type for reliability projects for interregional project consideration.

In Order 1000, the Commission concluded:

> [T]he absence of clear cost allocation rules for interregional transmission facilities can impede the development of such transmission facilities due to the uncertainty regarding the allocation of responsibility for associated costs. This may, in turn, adversely affect rates for jurisdictional services, causing them to become unjust and unreasonable or unduly discriminatory or preferential.[14]

While the Commission allowed for different cost allocation methods between RTOs and for different types of transmission facilities, the Commission also stated that each cost allocation method must be determined in advance for each type of transmission facility.[15] The Commission further emphasized the importance of having an open and transparent stakeholder process and a transparent method for determining benefits and identifying beneficiaries.[16]

The OMS members supporting Option 2 agree that there are significant benefits to having a predetermined interregional cost allocation methodology for cross-border BRPs, as well as an

[13] Jennifer Curran Testimony from MISO July 10 Filing in Docket ER13-1938 at ¶10.
[14] *Order 1000* at ¶ 579.
[15] *Id*. at ¶ 581.
[16] Id. at ¶¶ 668-669.

open and transparent stakeholder process for determining the cost allocation methodology. Stakeholders involved in identifying and planning BRPs should have certainty during the planning process of how the costs of such projects would be allocated. As the Commission stated, "greater stakeholder access to cost allocation information will help aid in the development and construction of new transmission, as stakeholders will be able to see clearly who is benefiting from, and subsequently who has to pay for, the transmission investment."

By requiring MISO to have the category of interregional reliability projects and a stakeholder process for establishing the appropriate cost allocation methodology for such projects, the Commission will be enforcing the implementation of the cost allocation principles set out in Order 1000.

a. Significance of Including Reliability Projects as a Stand Alone Category

The following three reasons explain why reliability projects should be considered as a separate project type category, especially in light of the MISO proposal to only allow MEP type projects for consideration as interregional projects.

First, the Commission should consider Section 9.3 of the proposed JOA, entitled "Coordinated System Planning", which lists goals of performing coordinated interregional analyses:

> The primary purpose of coordinated system planning is to ensure that coordinated analyses are performed to identify expansions or enhancements to transmission system capability **needed to maintain reliability**, improve operational performance, or enhance the efficiency of electricity markets. **Any such expansions or enhancements shall be described in a Coordinated System Plan**.[17] [emphasis added]

[17] SPP July 10 Filing in Docket ER13-1937, at ¶60

If the Commission accepts MISO's 9.6.3.1(iii) language to restrict interregional projects just to MEPs, it may be less likely that the above underlined portions of the Coordinated System Plan's primary purpose will be carried out.

The concern lies in what happens if there are potential transmission projects identified as "needed to maintain reliability" at or near the MISO-SPP seam that do not meet MISO's definition of an MEP. The OMS members supporting Option 2 note the following testimony by MISO witness Jennifer Curran:

> Under MISO's Tariff, if a proposed project meets the criteria for both MEPs and BRPs, the project will be classified as an MEP. The Tariff therefore recognizes that MEPs can also address reliability issues. Further, if an Interregional Project includes any upgrades that are required to address reliability issues, the cost of the associated reliability-related upgrades will be included in the overall costs of the project, to ensure the project will provide the expected economic benefits to both regions.[18]

Ms. Curran further testifies:

> MISO also notes that a MISO-SPP Interregional Project can include transmission facilities that are below 345 kV, to the extent that the lower-voltage facilities are needed in conjunction with 345 kV facilities to address applicable reliability criteria violations that are projected to occur as a direct result of the development of the 345 kV or higher facilities of the project, so long as the lower voltage facilities constitute less than 50% of the combined project cost for the associated MEP.

Also noted is that the "reliability-related projects" as referred to by Ms. Curran, are those needed to support the MEP itself ("in conjunction with the 345 kV facilities"), not to solve reliability criteria violations in and of themselves.

This view is further supported by Ms. Curran's Testimony at page 5:

> Although MEPs are primarily economic upgrades, they can also address reliability issues. For example, under the MISO Tariff, if a project meets both the BRP2 and MEP criteria, then the project is approved as an MEP. Also, as part of the MEP evaluation, a reliability "no harm" test is performed, and, if reliability upgrades are identified, the costs of those upgrades would be included in the MEP.

[18] Jennifer Curran Testimony from MISO July 10 Filing in Docket ER13-1938 at 10

It is likely that the only reliability issues MISO will solve are those caused by the Interregional Projects themselves, or any "spillover" reliability solutions the MEPs may accidentally solve. If MEPs are the only interregional project type allowable, MISO may be inappropriately excluding other projects which, if given the chance, may also prove roughly commensurate with the benefits as required by Order 1000 Interregional Cost Allocation Principle No. 1.

Order 1000 allows for neighboring planning regions to have different regional planning and cost allocation processes with different neighboring regions, which helps to bolster interregional coordination while retaining regional differences. However, a balance must also be found between this regional diversity and the interregional consistency found within the coordination agreements of RTOs and planning regions. One region should not be so limiting in its proposal that another region would be precluded from benefiting from the most cost-effective solutions for both regions as a whole.

MEPs have additional limitations. Under MISO's Tariff, MEPs are economic projects with voltage 345 kV and above,[19] which are required to have a benefit-to-cost ratio of at least 1.25.[20] In contrast, SPP, in its July 10 filing, favors allowing any project, which was approved through the regional processes of both MISO and SPP, to be an interregional project.

As SPP argues, this voltage threshold would prevent more cost-effective, lower voltage solutions (i.e., less than 345 kV) from being considered for interregional projects near the MISO-SPP seam. As SPP states, "80% of the interconnections between SPP and MISO are at a voltage

[19] Market Efficiency Projects "may include any lower voltage facilities of 100kV or above that collectively constitute less than fifty percent (50%) of the combined project cost, and without which the 345 kV or higher facilities could not deliver sufficient benefit to meet the required benefit-to-cost ratio threshold for the project as established in Section II.B.1.e, or that otherwise are needed to relieve applicable reliability criteria violations that are projected to occur as a direct result of the development of the 345 kV or higher facilities of the project" MISO Tariff Attachment FF, Section II.B(iv).

[20] Section III.A.2.h of Attachment FF in MISO's Tariff.

level less than 345 kV."[21] Therefore it is reasonable to assume that for this particular MISO seam, as the SPP-MISO JOA filing is currently proposed by MISO, solutions that could provide benefits to both regions may be disregarded because they do not meet the MEP voltage threshold requirement. Regardless of decisions made on other issues, OMS members supporting Option 2 recommend rejection of the portion of MISO's proposal that projects below 345 kV be ineligible for consideration as interregional projects.

In addition, MEPs have both a minimum cost threshold and a 1.25 benefit-to-cost ratio test. These limitations would further restrict the inclusion of projects that could be eligible for interregional consideration, specifically if a project were to show significant benefits, yet not meet the minimum cost threshold. Therefore, it is recommended that the MISO-SPP JOA be amended such that projects that satisfy the MISO MEP 1.25 benefit-to-cost test, but do not satisfy the minimum cost threshold in Section 9.6.3.1 (i) still be considered eligible for interregional projects status.

In the alternative, if the Commission accepts MISO's proposed 9.6.3.1(iii) language, and only MISO MEPs can qualify as interregional reliability projects, OMS members supporting Option 2 propose that the Commission require MISO and SPP, in a future compliance filing, to include a provision where SPP and MISO will negotiate on interregional reliability projects to solve identified reliability issues. This would allow stakeholders to know in advance which projects would qualify as interregional reliability projects and perhaps develop a "one-off" cost allocation methodology on a project-by-project basis. Although this solution is less preferable than a defined interregional project category to specifically solve interregional reliability issues, it is important for the Commission to require planning regions to work towards developing projects to solve interregional reliability issues.

[21] SPP July 10 Filing, Exhibit SPP-4, David Kelley Testimony in Docket ER13-1937 at 11.

b. With Consideration of Reliability Projects, Comes the Necessity for Appropriate Cost Allocation Methodologies

If interregional reliability projects are included in the MISO-SPP JOA, then appropriate cost allocation methods will need to be developed. The Commission should therefore direct MISO to work with its stakeholders and the OMS, as well as with SPP, to develop a predetermined method for cost allocation between the two RTOs, and direct MISO to work with its stakeholders and the OMS to develop a predetermined method for cost allocation for the costs allocated to MISO for interregional reliability projects.

Regarding the interregional cost allocation method, one recommended solution would be to develop a similar distribution factor analysis method ("DFAX") as established in the MISO-PJM JOA, Section 9.4.3.2.1 for identifying each RTO's cost responsibility. The violation-based DFAX metric is a well-established metric for identifying the primary beneficiaries (cost causers) of transmission upgrades needed to address reliability standard violations. In general, the violation-based DFAX method measures the contributions to flows on the congested facility, which necessitates the network upgrade, in order to avoid the reliability standard violation. In this instance, the DFAX method would be appropriate as reliability projects are planned and designed to address specifically-identified reliability violations, and contributors to those reliability violations can be characterized as cost-causers. This identification of cost causers is important, because the trigger to identify needed projects is a reliability standard violation.

States supporting Option 2 believe there are significant benefits to having a predetermined interregional cost allocation methodology for reliability projects. The Commission has identified a lack of clear interregional cost allocation rules as an impediment to constructing beneficial interregional projects:

> As with our regional cost allocation requirements above, we are requiring interregional cost allocation requirements to remove impediments to the development of transmission facilities that are identified as needed by the relevant regions. *We conclude that the absence of clear cost allocation rules for interregional transmission facilities can impede the development of such transmission facilities due to the uncertainty regarding the allocation of responsibility for associated costs.* This may, in turn, adversely affect rates for jurisdictional services, causing them to become unjust and unreasonable or unduly discriminatory or preferential.[22]

Additionally, stakeholders involved in identifying and planning interregional reliability projects could have certainty of how the costs of such projects would be allocated during the planning process:

> The requirements established below are designed to work in tandem with the transmission planning requirements established above to identify more appropriately the benefits and the beneficiaries of new transmission facilities so that transmission developers, planners and stakeholders can take into account in planning who would bear the costs of transmission facilities, if constructed.[23]

The Commission also states that the cost allocation methodology should be set out in advance:

> Although we allow a different cost allocation method or methods for different types of transmission facilities, as discussed below regarding Interregional Cost Allocation Principle 6, if public utility transmission providers choose to propose a different cost allocation method or methods for different types of transmission facilities, each cost allocation method would have to be determined *in advance* for each type of transmission facility.[24] (emphasis added)

Furthermore, with the recent Commission approved change to MISO's practice for how to allocate costs for BRPs, MISO currently does not have a mechanism in place to allocate, on a regional basis, the costs allocated to MISO for interregional reliability projects. Accordingly, if the Commission were to reject MISO's MEP-only proposal, MISO would have to develop a regional cost allocation methodology for MISO's portion of the interregional project. In that

[22] Order 1000, at ¶579 (emphasis added)
[23] Order 1000, ¶at P 483.
[24] Id.

instance, states supporting Option 2 recommend that the Commission direct MISO to work with its stakeholders and the OMS to develop a specific regional cost allocation method for the costs allocated to MISO.

B. Other Issues

1. Use of The Term "Transmission Issue" throughout the MISO-SPP JOA Needs to be Addressed

The OMS also has concerns related to the term "transmission issue," as filed by both MISO and SPP in their proposed JOAs.

First, the MISO SPP JOA should explicitly state that reliability, economic, and public policy-related "transmission issues" will be considered by the MISO-SPP Inter-regional Planning Stakeholder Advisory Committee IPSAC and Joint Planning Committee. Second, the term "transmission issue" is not a capitalized, defined term in either the MISO or SPP compliance filing. While it is capitalized in Section 9.3.3.1 of the MISO filing, it is not capitalized consistently throughout MISO's compliance filing. The undefined term "transmission issue" is also used in proposed Section 9.3.2 of the JOA, "Annual Transmission Issues Evaluation." The term should be defined in both the compliance filing and in the subsequent JOA to ensure that reliability, economic, and public policy concerns can be potential "transmission issues" for interregional consideration.

Second, the JOA, as stated below in MISO's transmittal letter, implies that the type of transmission issues to studied, and that the types of analysis and studies used to evaluate those transmission issues, will be limited to the "applicable benefit metrics" included in the JOA.

> **MISO's transmission letter, pages 14-15, states**:
> As required by Order No. 1000, MISO and SPP's proposal includes a description of the type of transmission studies that will be conducted to evaluate conditions on their neighboring systems for the purpose of determining whether interregional transmission facilities are more efficient or cost-effective than regional facilities, which may include, but are not limited to, joint futures development, congestion analysis, reliability analysis,

and stability analysis. *The type of analysis or study shall be based on the transmission issues to be studied and the applicable benefit metrics for evaluating potential solutions.* (emphasis added).

By defining "Transmission Issues" to include reliability, economic, and public policy concerns, it would increase the likelihood MISO and SPP would study and develop potential interregional solutions even if no set interregional project type existed for that issue, bringing benefits of full disclosure to areas along the SPP-MISO seam.

2. Lack of Clarity in Either MISO or SPP's Filing About Whether or Not Cost Overruns on Projects Would be Shared Equally

Currently, MISO and SPP have significant differences in how they process changes in regional transmission project cost estimates. SPP has a rigorous stakeholder process established through its Project Cost Working Group since January 2012, where projects whose cost estimates change more than twenty percent are reevaluated to see if that project is still the best solution. In contrast, MISO has proposed, in its Order 1000 regional compliance filing, to only evaluate economically justified regional projects whose costs have risen to the point where the benefit-to-cost ratio justifying the project is no longer justified. Neither SPP nor MISO's proposed JOA has any language on how to administer changes in interregional project cost estimates.

The OMS sees the potential for great benefit in future interregional projects between SPP and MISO. However, there should be language on how to address changes in interregional project costs, in order to properly protect the interests of utilities and ratepayers, in terms of both benefits and costs, on both sides of the SPP-MISO seam. Such language should be included in the JOA and not negotiated on a per project basis.

The significant area of difference between the two regions appears to be on regional projects intended to solve reliability and public policy concerns. In SPP's regional process, these projects will be reevaluated if their cost estimates change by more than 20%; while MISO will

never reevaluate regional projects intended to solve reliability and public policy issues no matter how much their cost estimate changes or their schedule slips.

This difference leads to a significant concern about interregional projects. SPP has decided that changes in project cost estimates for all types of projects warrant concern, whereas MISO has decided that costs changes for reliability and public policy regional projects do not. This difference in project cost reevaluation policies between MISO and SPP could result in ratepayers in SPP being allocated a disproportionate share of costs for interregional projects with cost overruns located within the MISO footprint.

To address this potential problem, the OMS suggests that the Commission consider directing MISO to develop standards for interregional project reevaluation. In addition, the OMS suggests MISO and SPP be required, in a future compliance filing, to include language on how interregional project cost estimate changes will be administered.

3. The OMS Recommends That MISO Clarify How the Proposed Interregional Cost Allocation With SPP Will be Applicable During the Entergy Integration in MISO

The OMS recommends that MISO clarify how the interregional cost allocation will be considered in relation to the FERC-approved five-year cost allocation process during the Entergy integration into MISO.[25] If any interregional projects are identified and approved between the Entergy region and SPP, especially during the Entergy Transition period, then how will those costs be allocated amongst the MISO North and MISO South regions? For example, is it MISO and SPP's intent that the costs of any interregional projects identified and approved during the five-year transition period will be allocated pursuant to the FERC approved five-year transition

[25] *Midwest Independent Transmission System Operator, Inc., et al.*, 139 FERC ¶ 61,056 (2012) ("April Order").

period method, such that any costs for an interregional project that terminates within the MISO North or South region would be borne by only the MISO North or South region, respectively?[26]

IV. Conclusion

Wherefore, for all of the reasons explained above, the OMS requests that the Commission issue its Order consistent with these comments. The OMS submits these comments because a majority of the members have agreed to generally support them. Individual OMS members reserve the right to file separate pleadings regarding the issues discussed herein. The following members generally support these comments:

Arkansas Public Service Commission
Illinois Commerce Commission
Indiana Utility Regulatory Commission
Iowa Utilities Board
Kentucky Public Service Commission
Michigan Public Service Commission
Minnesota Public Utilities Commission
Missouri Public Service Commission
Montana Public Service Commission
City of New Orleans
North Dakota Public Service Commission
South Dakota Public Utilities Commission
Public Utility Commission of Texas
Wisconsin Public Service Commission

The Louisiana Public Service Commission abstained from these comments. The Manitoba Public Utilities Board and the Mississippi Public Service Commission did not participate in these comments.

[26] Southern Region Workshop Update, Planning Advisory Committee of MISO, 6/26/2013.https://www.midwestiso.org/Library/Repository/Meeting%20Material/Stakeholder/PAC/2013/20130626/20130626%20PAC%20Item%2010%20Southern%20Region%20Integration%20Workshop%20Highlights.pdf

The Indiana Office of Utility Consumer Counselor, as an associate member of the OMS, participated in these comments and generally supports these comments.

Respectfully Submitted,

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Dated: September 9, 2013

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.
Dated at Des Moines, Iowa, this 9th day of September, 2013.

William H. Smith, Jr.