UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Midwest Independent Transmission System Operator, Inc.	))	Docket No. ER10-1791-003

INITIAL COMMENTS OF THE ORGANIZATION OF MISO STATES

In response to growing public policy support for a more diverse energy resource mix, the Midcontinent Independent System Operator (MISO)[1] developed a new category of transmission project to facilitate the most efficient and cost effective movement of power over long distances. Multi Value Projects (MVPs) were planned as a regional overlay to the pre-existing categories of baseline reliability projects and market efficiency projects. A cost allocation plan for these new projects was developed with broad stakeholder input and submitted to the Commission in 2010.

Among other findings, the Commission approved the proposal to assign costs for MVP projects to entities outside of MISO that benefit from the facilities, but exempted PJM due to concerns raised in a 2003 policy aimed at eliminating rate pancaking between the two RTOs.[2] A number of parties, including the OMS, filed unsuccessfully for rehearing of the MVP Order.[3] On review, the Court of Appeals found the Commission's decision arbitrary with regard to it "prohibit[ing] MISO from charging anything for exports of energy to PJM enabled by the multi-value projects while permitting [MISO] to charge for exports of energy to all the other RTOs."[4]

[1] At the time of the filing, MISO was the Midwest Independent Transmission System Operator.
[2] *Midwest Indep. Transmission Sys. Operator, Inc.*, 133 FERC ¶ 61,221 (2010) (MVP Order) at P 440 (citing July 23, 2003, Order, 104 FERC ¶ 61,105 at P 35), *order on reh'g and compliance filing*, 137 FERC ¶ 61,074 (2011) (MVP Rehearing Order).
[3] MVP Rehearing Order.
[4] *Illinois Commerce Commission v. FERC*, 721 F3d 764, 778-780 (7th Cir. 2013), *cert. denied sub nom. Schuette v. FERC*, 134 S.Ct. 1277 (2014) *and cert. denied sub nom. Hoosier Rural Energy Co-op., Inc. v. FERC*, 134 S.Ct. 1278 (2014).

The Court vacated the Commission's decision with regard to the exemption from charges for PJM for MISO MVP costs and on remand clarified that the Commission must "determine in light of current conditions what if any limitation on export pricing to PJM by MISO is justified".[5] In response, the Commission issued its January 22, 2015 Order in this docket echoing the Court's requirement by asking that parties comment on, "… in light of current conditions, what if any limitation on export pricing to PJM for MVPs by MISO is justified."[6]

Accordingly, the Organization of MISO States (OMS) submits these limited comments to voice support for long-standing Commission precedent that beneficiaries of transmission projects be allocated costs that are at least roughly commensurate with the benefits that are expected to accrue.[7] Limitations on export costs to PJM should be in line with this principle and be bound by the extent of the benefits provided to the payer absent the existence of a specific, time-limited agreement between parties.[8]

The wide range of MVP project benefits were well articulated in the section of the Commission's MVP Order approving export charges to entities other than PJM, noting they would "improve system reliability, reduce congestion, satisfy documented energy policy mandates or laws, and enhance market efficiency, which would benefit all users of the integrated transmission system, regardless of whether the ultimate point of delivery is to an internal or external load."[9] PJM is receiving the same type of benefits from MVP facilities that other

[5] *Id*. at 780.
[6] *MISO*, 150 FERC ¶ 61,026 (Jan. 22, 2015) at P 11.
[7] *Illinois Commerce Commission*, 576 F.3d at 476-77 (citing *Midwest ISO Transmission Owners*, 373 F.3d at 1369; *Sithe*, 285 F.3d, at 5.
[8] The Entergy utilities in the MISO South region negotiated, as part of their MISO membership, a 5-year transition period during which MVP project costs from the North and Central regions would not be allocated. This is a very specific, time-limited provision that can be distinguished from the Commission's decision directed at PJM. OMS does not advocate altering that agreement in any way.
[9] MVP Order, P 439.

external entities do for which the Commission approved cost sharing and therefore, under the Commission's cost allocation precedents, should pay for those benefits.[10]

In its Request for Rehearing, the OMS explained that the Commission was endorsing free ridership by failing to allocate MVP costs to PJM members, and noted that, "Such an outcome is discriminatory and not conducive to just and reasonable rates."[11] This premise was based largely on the increasing demand for renewable energy in PJM driven by state and local public policies. With the MVP projects, abundant renewable energy resources in MISO would be deliverable across a much wider geographic area than would be possible without the MVPs, allowing entities outside of MISO to meet those policy requirements more efficiently. These benefits will continue to grow as reserve margins decrease with implementation of carbon-reduction policies and the changing energy mix. As such, any limitation on export pricing to PJM in this matter would be inconsistent with OMS' prior position to this Commission. In summary, "While imposing MVP costs on non-beneficiaries would be unreasonable, it is just as unreasonable to allow direct beneficiaries of MVPs to free-ride based on a prior Commission decision."[12]

<u>Conclusion</u>

The OMS members have diverse interests across a wide geographic area but have come together in these comments to support a policy consistent with that which it has presented to the Commission and that is the core of cost allocation guidance in the country. Costs for transmission projects should be allocated in a manner that is roughly commensurate with the benefits received.

[10] The OMS is not urging any modification to the Commission's policy eliminating pancaking of the categories of baseline reliability and market efficiency projects, whose benefits are largely local or regional in reach. Rather, the Commission's consideration should address only the matter of limitation on MVP charges directed by the Court.
[11] OMS Rehearing pg. 7.
[12] *Id*.

The OMS submits this pleading because the following members, which represent a majority, generally support the contents:

Arkansas Public Service Commission
Iowa Utilities Board
Kentucky Public Service Commission
Michigan Public Service Commission
Minnesota Public Utilities Commission
Mississippi Public Service 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, Manitoba Public Utilities Board and City of New Orleans abstained. The Illinois Commerce Commission does not support these comments.

Respectfully Submitted,

Tanya Paslawski

Tanya Paslawski
Deputy Executive Director
Organization of MISO States
E-mail: tanya@misostates.org
Tel: 515-243-0742

Dated: April 22, 2015

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 Carmel, Indiana, on this 22nd day of April, 2015.

Tanya Paslawski