

OMS supports the proposed tariff revisions as just and reasonable³, and supported by a majority of the TOs and states.⁴

I. NOTICE OF INTERVENTION

The OMS is a non-profit, self-governing organization comprised of representatives from the seventeen regulatory bodies with jurisdiction over entities participating in MISO and serves as the regional state committee. The purpose of the OMS is to coordinate regulatory oversight among its members, to make recommendations to the MISO, the MISO Board of Directors, the

³ The OMS as noted below is an organization made up of representatives from seventeen jurisdictions with regulatory bodies having jurisdiction over MISO participating entities. Not all of those seventeen jurisdictions will be in agreement on every issue. See, for example, *Midwest Indep. Transmission Sys. Operator, Inc.*, 137 FERC ¶ 61074 (Oct. 21, 2011) The Missouri Public Service Commission (“MoPSC”), the Michigan Public Service Commission (“MPSC”), the Indiana Utility Regulatory Commission (“IURC”), the Public Service Commission of Wisconsin (“PSCW”), and the Kentucky Public Service Commission (“KY PSC”) do not join in the OMS statement that all of the tariff revisions herein are just and reasonable, based on the specific tariff revisions establishing the proposed cost allocation of “local economic projects” as described herein. It is the Commissions’ noted herein opinion that the proposed cost allocation for these projects (which relate to lower voltages between 100kV and 230kV) are a violation of the “beneficiary pays” principle, as further described herein in footnote 38. The PSCW also notes that the LEP project category lacks competitive bidding which in turn may create higher costs and longer timelines.

⁴ The Illinois Commerce Commission (“ICC”) does not support MISO’s MEP voltage threshold reduction, addition of benefit metrics, or creation of the LEP project type. Nor does the ICC support applying those concepts in the inter-regional context. The ICC recommends that MISO, instead, focus on improving its transmission planning process, rather than expanding the universe of projects subject to MISO-exercised mandatory cost allocation. The Commission should enable MISO to focus on transmission planning unfettered by new mandated cost allocation responsibilities. Expansion of mandatory cost allocation risks increasing the potential of involuntarily allocating costs to zones that do not benefit or do not perceive themselves to benefit under MISO’s benefit metrics. Controversies over cost allocation unnecessarily hamper MISO from exceling in the function MISO is best suited to perform—transmission planning. For this reason, the ICC does not support the aforementioned elements of MISO’s proposal, but supports MISO’s proposal to eliminate the 20 percent postage stamp cost allocation for MEPs. If the Commission accepts any other aspect of MISO’s proposal, however, any project that has costs allocated outside the zone in which the project is physically located must be subject to MISO’s competitive developer selection process as a means to, at least, try to ensure selection of the most cost effective project.

Commission, and other relevant government entities and state commissions as appropriate, and to intervene in proceedings before the Commission to express the positions of the OMS member agencies. As such, the OMS files its Notice of Intervention in this proceeding under Rule 214(a)(2), 18 C.F.R. §385.214(a)(2) (2019), of the Commission’s Rules of Practice and Procedure.

Service of pleadings, documents, and communications in this proceeding should be made on the following:

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II. BACKGROUND

The MISO Proposal revises the process by which MISO identifies and allocates costs for economically beneficial transmission projects. Specifically, the Proposal allows for the expanded identification of Market Efficiency Projects (MEPs), adopts the Local Economic Project category of projects, and establishes regional cost allocation methodology for MEPs and Local Economic Projects.

MISO’s proposed revisions to the MEP tariff provisions include: (i) two new benefit metrics (Avoided Reliability Project Savings and MISO-SPP Settlement Agreement Costs), to be used in conjunction with the existing Adjusted Production Cost (APC) Savings metric to calculate project benefits associated with MEPs and Local Economic Projects;⁵ (ii) an expanded framework for the designation of MEPs to include projects as low as 230 kilovolts (kV), as compared to the

⁵ MISO Proposal transmittal letter at 11-19.

existing 345 kV threshold;⁶ (iii) elimination of the existing 20 percent cost allocation for MEPs to all of MISO on a postage-stamp basis, instead allocating, based on the existing and new proposed benefit metrics, 100 percent of MEP costs to Transmission Pricing Zones that receive benefits from the MEP;⁷ and (iv) a limited exception from the MISO Competitive Developer Process for certain Immediate Need Reliability Projects that also qualify as MEPs and could otherwise be delayed absent the exception.⁸ The Proposal includes new Tariff Attachment (FF-7), which outlines all three MEP benefit metrics in detail and explains how each are calculated.⁹

The Proposal also adopts a new project category for Local Economic Projects, which are similar to MEPs, but are limited in voltage between 100 kV and 230 kV.¹⁰ MISO proposes to recover the costs for Local Economic Projects only from the Transmission Pricing Zones where the projects are located.¹¹

MISO has requested an effective date of June 25, 2019, so that it can use its improved methodology in the MISO Transmission Expansion Plan (MTEP) 2019 approval process.¹² In keeping with MISO's stated goal of doing the best job possible of aligning the costs and benefits associated with transmission projects, MISO commits to review the filed cost allocation

⁶ MISO Proposal transmittal letter at 19-21.

⁷ MISO Proposal transmittal letter at 21-27.

⁸ MISO Proposal transmittal letter at 27-33.

⁹ MISO has also created a Tariff structure that will allow for the creation of new benefit metrics, but importantly, any new metric must be reviewed by stakeholders, and filed with, and approved by, the Commission before MISO may utilize any new benefit in its Market Congestion Planning Studies.

¹⁰ MISO Proposal transmittal letter at 34-38.

¹¹ MISO Proposal transmittal letter at 36.

¹² MISO Proposal transmittal letter at 39.

methodology in the Proposal with stakeholders after a three-year period.¹³ The Proposal is a compromise, resulting from over three years of stakeholder discussions and efforts focused on effective cost allocation methodologies.

III. COMMENTS IN SUPPORT

The OMS supports MISO's Proposal because the proposed tariff reforms will increase the likelihood that MISO will identify and approve beneficial transmission projects. The Proposal provides for the expanded identification and approval of MEPs, creating more opportunities for MISO to use its FERC Order No. 1000¹⁴-compliant competitive process for selecting project developers and allocating costs to customers receiving the benefit of the projects. The Proposal improves MISO's existing transmission project selection procedures and provides for a more precise cost allocation methodology for projects 230kV and above.

A. MISO's Proposal is Supported by a Majority of MISO Transmission Owners and OMS Members.

The Proposal is the result of more than three years of stakeholder effort¹⁵ that resulted in a compromise solution that garnered support from a majority of MISO Transmission Owners,¹⁶ other stakeholders, and state and local regulators. MISO requested stakeholder feedback on various

¹³ MISO Proposal transmittal letter at 38.

¹⁴ *Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities*, Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at PP 558, 690 (2011) ("Order No. 1000"), *order on reh'g*, Order No. 1000-A, 139 FERC ¶ 61,132, *order on reh'g and clarification*, Order No. 1000-B, 141 FERC ¶ 61,044 (2012), *aff'd sub nom. S.C. Pub. Serv. Auth. v. FERC*, 762 F.3d 41 (D.C. Cir. 2014).

¹⁵ MISO Proposal transmittal letter at 9-11.

¹⁶ See MISO Proposal transmittal letter at FN 1.

components of the Proposal several times over the course of this multi-year process, and then significantly tailored its proposal based on stakeholder responses to those feedback requests.¹⁷

Stakeholder support for cost allocation proposals is a critical component of the Commission's determination regarding the reasonableness of a cost allocation proposal.¹⁸ As the Commission explained in Order No. 890, "a cost allocation proposal that has broad support across a region is more likely to provide adequate incentives to construct new infrastructure than one that does not ... [t]he states, which have primary transmission siting authority, may be reluctant to site regional transmission projects if they believe the costs are not being allocated fairly."¹⁹ The Commission prefers regional solutions that garner stakeholder support because states are more likely to site transmission and participants are more apt to support new transmission investment where costs are allocated fairly.²⁰

When evaluating whether there is general support for a cost allocation proposal, the Commission does not require unanimity or near unanimity among all of the participants and state authorities in the region.²¹ In addition, the Commission has noted that "general support, not

¹⁷ See MISO Proposal, Tab A, Prepared Direct Testimony of Jesse Moser on Behalf of the Midcontinent Independent System Operator, Inc. ("Moser Testimony"), at Appendix D, 11:14-12:2.

¹⁸ *Preventing Undue Discrimination and Preference in Transmission Service*, Order No. 890, 118 FERC ¶ 61,119 at P 559, *order on reh'g*, Order 890-A, 121 FERC ¶61,297 (2007), *order on reh'g & clarification*, Order 890-B, 123 FERC ¶61,229 (2008), *order on reh'g and clarification*, Order 890-C, 126 FERC ¶ 61,228, *order on clarification*, Order No. 890-D, 129 FERC ¶61,126 (2009).

¹⁹ Order No. 890, 118 FERC ¶ 61,119 at P 560.

²⁰ *Id.*

²¹ Order Denying in Part and Granting in Part Rehearing, Conditionally Accepting Compliance Filing, and Directing Further Compliance Filings, 137 FERC ¶ 61,074 (October 11, 2011), at P 174.

consensus, is the touchstone of Order No. 890,” and for an issue as complicated and controversial as transmission expansion cost allocation, “even a general expression of support is not assured.”²² MISO’s filing reflects the stakeholder input and significant effort that went into developing the compromise proposal, and as such, is supported by a majority of stakeholders.

B. MISO’s Proposed Changes to the MEP Tariff Provisions are Just and Reasonable.

The OMS supports the Proposal’s revisions to MEP tariff provisions as just and reasonable, and supported by MISO’s filing.

1. The OMS Supports Proposed New Benefit Metrics.

The OMS supports the addition of the proposed two new benefit metrics to the existing APC Savings metric to determine project benefits for MEPs and the new proposed category of Local Economic Projects. In addition to retaining the existing APC Savings metric, as modified slightly,²³ MISO proposes a new Avoided Reliability Project Savings metric,²⁴ and a MISO-SPP Settlement Agreement Costs metric.²⁵ The new benefit metrics (i) are the result of an extensive

²² *Id.*

²³ MISO Proposal transmittal letter at 13-15; Moser Testimony at 11; proposed Attachment FF-7, Section I.A.1 (APC Savings provisions for Market Efficiency Projects).

²⁴ MISO Proposal transmittal letter at 15-17; Moser Testimony at 17. The Avoided Reliability Project Savings metrics is designed to measure savings realized by transmission customers when an MEP or Local Economic Project eliminates the need to develop one or more reliability projects in the future.

²⁵ *Id.* at 17-19; Moser Testimony at 22-23. The MISO-SPP Settlement Agreement Costs metric calculates the change in annual payments, resulting from an MEP or Local Economic Project, due from MISO to the Southwest Power Pool (SPP) and the Joint Parties for MISO transfers above the MISO Contract Path Capacity, as defined in the MISO-SPP Settlement Agreement. *See Sw. Power Pool, Inc. v. Midcontinent Indep. Sys. Operator, Inc.*, Offer of Settlement, Docket No. EL14-21-000, section 2.3.2 (Oct. 13, 2015) (“MISO-SPP Settlement Agreement”); *see also, Sw. Power Pool, Inc.*, 154 FERC ¶ 61,021 (2016) (Commission order approving the MISO-SPP Settlement Agreement).

stakeholder process, (ii) refine MISO's pre-existing, Commission-approved framework, (iii) create a greater likelihood that beneficial economic projects will be identified and approved in the MTEP process, and (iv) achieve an allocation of costs that is roughly commensurate with benefits received.

MISO will be conducting a stakeholder process in 2019 to evaluate additional benefit metrics that may result in future additional revisions to proposed Attachment FF-7.²⁶ In addition to supporting the specific additional benefit metrics in this Proposal, the OMS supports MISO's commitment to stakeholders during the development of these new benefit metrics that any proposed future metric must be reviewed by stakeholders and approved by the Commission before MISO may utilize any new such benefit in its Market Congestion Planning Studies.²⁷

2. The OMS Supports Lowering the Voltage Threshold for MEPs.

The OMS supports the proposed lowering of the voltage threshold for MEPs from 345 kV to 230 kV as a compromise solution that was extensively vetted through the stakeholder process, and ultimately supported by a majority of MISO Transmission Owners and the OMS members. As MISO explains, the lower voltage threshold will expand the number of projects that may meet the MEP criteria and bring regional economic benefits to transmission customers and ratepayers.²⁸ The Commission should accept the proposed voltage threshold change.

²⁶ See MISO's February 14, 2019 presentation to the RECBWG, MEP Benefit Metrics, available at: https://cdn.misoenergy.org/20190214_RECBWG_Item_03_Additional_MEP_Benefit_Metrics318883.pdf.

²⁷ See, e.g., MISO's September 27, 2018 presentation to the RECBWG, MISO Cost Allocation Proposal - Multiple Benefit Metrics, at 2, available at: https://cdn.misoenergy.org/20180927_RECBWG_Item_04_MISO_Cost_Allocation_Proposal278646.pdf; MISO's June 14, 2018 presentation to the RECBWG, MISO Cost Allocation Proposal at 17, available at: https://cdn.misoenergy.org/20180614_RECBWG_Item_02_MISO_Cost_Allocation_Proposal222219.pdf.

²⁸ MISO Proposal transmittal letter at 20.

3. The OMS Supports the Proposed Changes to MEP Cost Allocation.

MISO proposes to change cost allocation for MEPs from the current process, which assigns 20 percent of MEPs costs on a “postage stamp” basis to the MISO footprint on a *pro rata* basis, and assigns the other 80 percent to Cost Allocation Zones (CAZs),²⁹ to a new methodology that allocates 100 percent of costs associated with an MEP to Transmission Pricing Zones that are identified as receiving project benefits based on application of the existing APC Savings benefit metric plus the two new proposed benefit metrics. MISO’s Proposal provides for a better alignment of costs and benefits and the more granular assignment of costs, and is just and reasonable.

MISO’s Proposal also complies with the Order No. 1000 regional cost allocation principles. In Order No. 1000, the Commission required each public utility transmission provider to show that its regional cost allocation method or methods are just and reasonable and not unduly discriminatory or preferential by demonstrating that each method satisfies six regional cost allocation principles described in Order No. 1000.³⁰ The Commission noted that varied methods for cost allocation methods may satisfy the general principles of Order 1000, and recognized that regional differences may warrant distinctions in cost allocation methods among transmission planning regions.³¹ The Commission sought to “retain regional flexibility” and allow transmission providers in each transmission planning region to develop transmission cost allocation methods

²⁹ As MISO explains, the current 80 percent allocation to CAZs is based on the distribution of the APC Savings metric, with costs distributed to the Transmission Pricing Zones within each benefiting CAZ on a load ration share basis. MISO Proposal transmittal letter at 21.

³⁰ Order No. 1000 at PP 558, 690 (2011).

³¹ *Id.* at 604 (“We adopt the use of cost allocation principles because we do not want to prescribe a uniform method of cost allocation for new regional and interregional transmission facilities for every transmission planning region. To the contrary, we recognize that regional differences may warrant distinctions in cost allocation methods among transmission planning regions.”)

that best suit that region, so long as those approaches comply with the Order No. 1000's regional and interregional cost allocation principles.³²

MISO specifically designed the Proposal to comport with Order No. 1000's six Regional Cost Allocation principles. For the reasons described in the filing,³³ MISO's Proposal satisfies the Order No. 1000 requirements and is consistent with the Commission's cost allocation goals.

C. MISO's Proposed Limited Exception to Competitive Developer Selection Process for "Immediate Need Reliability Projects" is Just and Reasonable.

The OMS supports MISO's proposed limited exception to the Competitive Developer Selection process for a subset of Baseline Reliability Projects (BRPs) that also qualify as MEPs and are needed within 36 months to meet reliability needs on the MISO transmission system ("Immediate Need Reliability Projects").³⁴ As MISO explains in the filing, the combination of the proposed lowering of the voltage threshold for MEPs from 345 kV to 230 kV and additional metrics to identify beneficial projects will likely result in more BRPs also qualifying as MEPs under Attachment FF's project category hierarchy structure.³⁵ Some of those BRPs may be Immediate Need Reliability Projects, where the identified need-by date is sooner than can be accomplished under the timeline embedded in MISO's Competitive Developer Selection process.

MISO's proposed limited exception appropriately balances MISO's commitment to remove barriers to competitive transmission development with the need to ensure the continued safe and reliability operation of MISO's transmission system, and is consistent with other

³² *Id.*

³³ MISO Proposal transmittal letter at 25-27.

³⁴ MISO Proposal transmittal letter at 27-33.

³⁵ MISO Proposal transmittal letter at 28.

exceptions approved by the Commission.³⁶ The MISO tariff provisions proposed in new Section VIII.A.3 of Attachment FF also establish procedures that provide MISO stakeholders with the opportunity to review and provide input on proposed Immediate Reliability Projects.³⁷ MISO's proposed exception is narrowly tailored, well-supported by the filing, and should be accepted.

D. The OMS Supports Adoption of the Proposed Local Economic Project Category.³⁸

The OMS supports MISO's proposed adoption of a Local Economic Project category as an Order No. 890-compliant way to address beneficial lower voltage economic projects that, under existing tariff provisions, would fall into MISO's ambiguous "other" category. The Proposal eliminates ambiguity by providing explicit criteria for how MISO will review and consider Local Economic Projects for approval, and many of the proposed new tariff provisions are based on existing, Commission-approved provisions applicable to MEPs. MISO's proposed creation of a Local Economic Project category is just and reasonable, and should be approved.

³⁶ MISO Proposal transmittal letter at 31, FN 137 (citing other Regional Transmission Organization/Independent System Operator limited exception proposals that have been accepted by the Commission).

³⁷ *Id.* at 29; *see also* Attachment FF at Proposed Section VII.A3.1.

³⁸ As previously stated in footnote 3, the MoPSC, the MPSC, the IURC, the KY PSC and the PSCW do not support the portions of Paragraph D creating local economic projects which limit cost recovery for such projects to only those local transmission pricing zones in which the project is located. This is because these lower voltage economic projects between 100kV and 230kV are limited for cost recovery to only those local transmission pricing zones and no other factors in cost recovery are considered. Other zones receiving economic benefits used to justify the project would not be allocated costs for these projects. The PSCW again notes that the LEP project category does not allow for competitive bidding and may create higher costs and longer timelines.

E. The OMS Supports MISO's Commitment to Conduct a Triennial Review.

The OMS supports MISO's commitment to revisit the cost allocation methodology included in the Proposal at the end of a three-year period, and to work with stakeholders to determine the specifics of how that evaluation will be conducted.³⁹ This Proposal is the result of extensive efforts by MISO and stakeholders to develop an effective cost allocation methodology, and MISO should fully engage with stakeholders in conducting any evaluation of the methodology's effectiveness, and in determining how such effectiveness will be measured.

IV. CONCLUSION

WHEREFORE, for the foregoing reasons and for good cause shown, the OMS respectfully requests that the Commission consider these comments and accept MISO's Proposal.⁴⁰

Respectfully submitted,

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³⁹ MISO Proposal transmittal letter at 38; Moser Testimony at 42.

⁴⁰ The Minnesota Department of Commerce, an associate member of OMS, supports these comments. The Manitoba Public Utilities Board did not participate in this filing. The Illinois Commerce Commission abstains.

Dated March 27, 2019

CERTIFICATE OF SERVICE

I HEREBY certify that I have this day caused the foregoing document to be served, *via* electronic mail, upon each person designated on the Official Service List compiled by the Secretary in these proceedings.

DATED at Madison, Wisconsin as of the 27th day of March, 2019.

Marcus Hawkins