



**ORGANIZATION OF MISO STATES, INC.
Cost Allocation Principles Committee
December 14, 2020**

Commissioner Sarah Freeman, Chair of the Organization of MISO States, Inc. (OMS) Cost Allocation Principles Committee, called the December 14, 2020 meeting to order via Webex at approximately 2:00 pm (CT). The following committee members or their proxies participated in the meeting:

Ted Thomas, Arkansas
Carrie Zalewski, Illinois
Sarah Freeman, Indiana
Venkata Bujimala, proxy for Richard Lozier, Iowa
Talina Mathews, Kentucky
Lane Sisung, proxy for Erik Skrmetta, Louisiana
Dan Scripps, Michigan
Matt Schuerger, Minnesota
Sam Mabry, proxy for Dane Maxwell, Mississippi
Ryan Silvey, Missouri
David Shaffer, proxy for Helena Moreno, New Orleans
Julie Fedorchak, North Dakota
Greg Rislov, proxy for Gary Hanson, South Dakota
Arthur D'Andrea, Texas
Becky Valcq, Wisconsin

Absent
Manitoba
Montana

The directors and proxies listed above established the necessary quorum for the meeting of at least nine directors being present.

Others present

OMS staff and staff participants from individual state commissions
Other meeting attendees

Administrative Items

- Marcus Hawkins, OMS Executive Director, took the roll as noted above.
- **Approval of Minutes from the November 16, 2020 Cost Allocation Principles Committee Meeting**
The minutes were accepted as submitted.

Business Items

- **OMS Member Guiding Principles:** Commissioner Freeman presented the Summary of OMS Member Principles document and noted today's focus will be on the Moderate Agreement items. Based on proposals submitted by members, she will work with OMS staff to create a strawman proposal to be sent out later this week. Marcus clarified that this will follow the same process for our other Board approved documents with staff edits due by January 4th and then board members may propose final edits with the review on January 11th.

Commissioner Schuerger noted that the proposals submitted are already elevated to the level of the board. Therefore, he asked for clarification on the role of the OMS Transmission Cost Allocation work group. Commissioner Freeman spoke to Randy Pilo, Vice-Chair of the TCA work group, noting that their role would only be to improve upon the document and identify any potential problems or concerns.

Board members began discussion of the Moderage Agreement principles. Commissioner Schuerger began the discussion and highlighted the first three items on the summary document. He is in agreement with a broad range of benefits, noting that all existing MEP and MVP benefit metrics should be considered as well as additional identified benefits, such as energy market flexibility. He also expressed the importance for the opportunity to consider subregional cost allocation. Minnesota does support the postage stamp. He recognizes that this might not be possible within the full footprint, though should be considered on a subregional basis.

Commissioner Freeman asked Commissioner Schuerger if benefits are applied retroactively or only moving forward. Commissioner Schuerger noted that from Minnesota's perspective, once the cost allocation has been set, it should remain set. He identified it as problematic to change projects that already have an agreed upon cost allocation in place. Cost allocation should be set at the time of project approval. He also noted it is important to consider both quantifiable and non-quantifiable benefits, noting that the non-quantifiable benefits can serve as the trigger for consideration in a project moving forward and then the quantifiable benefits are used in the actual cost allocation.

Commissioner Fedorchak asked how the non-quantifiable benefits should be considered/utilized. Commissioner Freeman responded noting that the committee was in moderate agreement that this is an issue, but also raised the question of whether it needs to be an actual principle. Commissioner Schuerger noted that the non-quantifiable benefits could be used in the project evaluation phase.

Commissioner Fedorchak also expressed North Dakota's support for subregional cost allocation and use of postage stamp as an option. She also expressed interest in hearing from other states who are opposed to postage stamp. Would they be more open if postage stamp is completed subregionally and applied only to states with the quantifiable benefit?

Commissioner D'Andrea indicated that if non-quantifiable benefits are going to be considered, they need to be considered in both the project evaluation and the cost allocation phases, noting that if the non-quantifiable benefits are enough to build a project, the beneficiary should pay. He also stated that historically Texas has not supported postage stamp subregionally. However, if states agree and would benefit, he could become more open to this.

Commissioner Freeman asked if there is agreement that any benefit that is quantifiable should be a possibility. Commissioner D'Andrea expressed agreement, though also cautioned that if you explicitly state quantifiable, you're excluding non-quantifiable. David Shaffer agreed with Commissioner Freeman's question on all quantifiable benefits being considered. He also stated that the Council generally believes that postage stamp or load ratio share should be avoided, though may be open to it if a concrete benefit was demonstrated.

Chair Valcq noted that Wisconsin is opposed to the postage stamp and agreed with Illinois's proposed draft principles. She noted that from an academic standpoint, postage stamping is at odds with the beneficiaries pay concept. It may work in a subregional situation, but believes it should be viewed only as a last resort. Commissioner Freeman noted that she is not opposed to postage stamp, but expressed the need for robust benefit metrics in order to go to a more granular level to make the benefits more widespread.

Chair Zalewski agreed with Chair Valcq and stated that postage stamp does not make sense because of the failure to bring in the cost causer and beneficiaries. They generally do not agree with postage stamp subregionally either, though noted this is a harder argument if it doesn't impact IL. She also asked if the first principle related to a broad range of quantifiable benefits was or was not project-type specific. Commissioner Freeman stated that Indiana proposed a principle that would eliminate some project categories, but only would work with robust benefit metrics. Commissioner Schuerger noted in his perspective, the principle does not depend on the different categories and it can stand alone.

Regarding the granularity and postage stamp discussion, Commissioner Schuerger expressed strong concern of lack of recognition of the inherent uncertainty in this allocation. From his perspective, if we dial down the granularity, the uncertainty is exacerbated. He believes a postage stamp approach could be appropriate on a subregional basis and believes the approach makes cost allocation roughly commensurate. He advised caution of false precision with getting too granular.

In response to Commissioner Schuerger, Chair Valcq stated that the point is to lock in as much as we can to reduce uncertainty. Commissioner Schuerger agrees with the premise to lock in as much as we can to an appropriate level, but some conversations have failed to recognize these uncertainties, which leads to roughly commensurate versus exact. Chair Valcq responded that we should strive to be as commensurate as possible. Commissioner Schuerger stated that words are being viewed differently and he's hopeful the board can get to a common ground for a principle.

Commissioner Freeman recalled that Order 1000 says at least roughly commensurate. The strawman will use Order 1000 language, setting at least roughly commensurate as the bare minimum standard.

Chair Scripps stated Michigan's position of focusing on the quantifiable benefits, acknowledging that there are some that are harder to quantify/not possible to quantify. Other tools would need to be identified for quantification or the option to change the benefit-cost ratio. However, in a portfolio

approach, it should be slightly higher than the individual project benefit-cost ratio to ensure the portfolio over-delivers since it is a group of projects. He also noted that when looking at portfolios versus individual projects, it's important to make sure every project has a business case of its own for a slightly higher standard. Michigan opposes the postage stamp and agrees with Illinois and Wisconsin to aim for greater granularity through use of better tools.

Commissioner Fedorchak states that North Dakota is open to the portfolio concept, noting it provides value to examine projects more broadly. She also agrees with the idea of having a higher standard of cost-benefit ratio.

Commissioner Schuerger noted that FERC set a cost benefit ratio cap at 1.25, so it makes sense to consider flexing down that cost ratio. Commissioner Schuerger also noted that in his perspective, portfolios will lower the cost of solving a transmission need and optimize multiple lines. He believes that a portfolio approach would be selected when it provides more benefits over the simple sum of the benefit of individual projects. Not considering portfolio projects would result in inefficient planning.

Commissioner Freeman asked Commissioner Schuerger if the portfolio comes first and then the projects or have many projects that share attributes, location, timing, etc. that organically become a portfolio. Commissioner Schuerger responded that it could be done either way and should have that flexibility, noting it depends on the situation. Chair Valcq agrees but in her opinion, MISO incorrectly used the term "portfolio." If you look at portfolios the way Commissioner Schuerger describes them, it's about trying to mitigate risk by diversifying options. Portfolios can be a tool, but the projects must be put together thoughtfully and deliberately with an eye toward mitigating risk.

Chair Zalewski agrees with Chair Valcq. She provided examples of ways the use of a portfolio could be negative, such as one strong project in the portfolio is carrying the other projects. Therefore, Illinois is hesitant to use portfolio as one of the principles.

Commissioner Fedorchak identified that many states recognized that public policy should be considered a benefit. She emphasized states who have the public policy should pay for the benefits, so that the cost goes to them and not to socialized across the whole region.

Chair Scripps broadly agrees with Commissioner Fedorchak with the caveat to make it a bifurcated approach. Start by looking at quantifiable reliability and economic benefits. If the project makes sense on that basis alone without consideration of public policy, then it should be allocated the way any project would. If it does not meet that benefit-cost ratio without inclusion of public policy, then you look at public policy considerations and determine what percentage of the project is needed and that goes to the benefitting state. If the project does not meet the benefit-cost ratio with the inclusion of public policy, then the project doesn't move forward unless the project beneficiaries have a strong interest despite the fact it doesn't meet the ratio. Greg Rislov agreed with Chair Scripps in that if states wish to take on a project where the benefit-cost ratio doesn't align, but they're still willing to pay, combination allocations need to be considered. He encouraged open minded principles to allow for creativity, identification of tools, and ability to weight projects differently.

Chair Scripps noted if the ability to interconnect generators is a result of this project, then interconnecting interest should pay a portion of the cost. Avoided generator interconnection projects should be based on quantifiable benefits. Commissioner Schuerger expressed the importance to avoid double counting and the need for a way to segregate this.

Chair Valcq asked Commissioner Fedorchak for a public policy benefit that can't be measured. Commissioner Fedorchak responded that it isn't the benefit measuring, but agreement on pursuing them. Chair Zalewski provided Illinois' hesitation because of their preference by legislators for wind sited in Illinois. Commissioner Freeman responded with the example of a public policy goal of public health by decreasing carbon emissions, noting this could be contentious. Commissioner Schuerger agreed with considering public policy and aligning costs with beneficiaries, but also agreed with Dan in ways to consider how it's used. Chair Valcq agreed and also touched on the generator interconnection projects, noting if the generator is pushing a project and they will benefit, they should be allocated a portion of the costs.

- **MISO RECBWG Stakeholder Feedback Request:** The MISO RECBWG released a feedback request for cost allocation principles and the scope of work the RECBWG should consider in 2021. The feedback due date has been extended to January 6th. Marcus will review the original memo for potential language to use for the feedback request.
- **Stakeholder Feedback – Question 3:** Ben Sloan reviewed a summary presentation of the stakeholder feedback responses to question 3. He summarized where there was high-level consensus and highlighted the more unique responses from individual stakeholders.
- **Stakeholder Feedback – Question 4:** Marcus Hawkins reviewed a summary presentation of the stakeholder feedback responses to question 4 and highlighted specific ideas and main points.
- **Open Mic:** Commissioner Freeman reviewed the plan for 2021 meeting dates. She will send high level agendas in the near-future. The Transmission Cost Allocation WG will be working on the scope for the RECBWG feedback request.

The meeting concluded at approximately 3:40 pm (CT).