



**ORGANIZATION OF MISO STATES, INC.
Cost Allocation Principles Committee
June 21, 2021**

Commissioner Sarah Freeman, Chair of the Organization of MISO States, Inc. (OMS) Cost Allocation Principles Committee, called the June 21, 2021 meeting to order via Webex at approximately 2:00 pm (CT). The following committee members or their proxies participated in the meeting:

Judy Lindholm, proxy for Kim O'Guinn, Arkansas
Carrie Zalewski, Illinois
Sarah Freeman, Indiana
Richard Lozier, Iowa
Karen Wilson, proxy for Talina Mathews, Kentucky
Noel Darce, proxy for Erik Skrmetta, Louisiana
Dan Scripps, Michigan
Hwikwon Ham, proxy for Matt Schuerger, Minnesota
David Carr, proxy for Brent Bailey, Mississippi
Ryan Silvey, Missouri
David Shaffer, proxy for Helena Moreno, New Orleans
Julie Fedorchak, North Dakota
Greg Rislov, proxy for Gary Hanson, South Dakota
Werner Roth, proxy for Will McAdams, Texas
Tyler Huebner, 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
MISO staff

Administrative Items

- Marcus Hawkins, OMS Executive Director, took the roll as noted above.
- **Approval of Minutes from the May 17, 2021 Cost Allocation Principles Committee Meeting**
The minutes were accepted as submitted.

Business Items

- **Cost Allocation Straw Poll:**

Commissioner Freeman introduced the cost allocation straw poll which consisted of seven questions to be answered anonymously then discussed. The first question asked, “given that reliability and “Other” projects do not have to meet a benefit/cost threshold, and MEPs must exceed 1.25, what is an appropriate threshold for LRTP projects that include economic and reliability benefits?”

The answers were as follows: 1.0 (36.4%), 1.25 (36.4%), and other (27.3%).

Commissioner Huebner expanded on his response of “other” and stated that the idea of net present value as opposed to benefit to cost ratio. Instead of any project that meets a benefit to cost ratio, instead thinking about it more and ranking projects based on their total net present value or the total benefits. Then working within a budget to figure out how to select the best projects and not any project that meets the minimum floor.

Commissioner Freeman asked does the in-service date of the project matter regarding the MEP and MVP distinction should the same ratio be used for planning purposes as for cost allocation.

Greg Rislov responded that he selected 1.25 because it is consistent with MEP. He stated that he believes 1.0 is not enough but 2.0 was too much.

The second question asked “Which of the following would you consider a public policy for purposes of regional cost allocation? (Select all that apply.)”

The answers were as follows: federal law or regulation (84.6%), state law or regulation (84.6%), governor/executive policy statement or order (30.8%), state or local regulatory body policy or goal (38.5%), and utility policy or goal adopted by board of directors (38.5%).

Commissioner Freeman stated that she answered federal and state law or regulation as those are specifically mentioned in Order 1000. She also thinks that there is room in a tariff to define it more broadly than that. She asked the group for thoughts on what role MISO has in determining if something is a policy or not and who determines if a particular solution has been developed in response to a policy. Chair Fedorchak responded that she also answered federal and state law or regulation. Regarding how you decide if something is done in response is a benefit, and it is determined that those policy benefits are the policy goals, then they would automatically be included. On the contrary if you do not have them, you do not have any policy goals and would have zero policy benefits.

Chair Scripps noted there is a distinction between something that has been formally enacted and is therefore binding, and then some of the other selections that had less responses may reflect the current state, governor, or commission. He believes there is a core difference between something that is truly binding and something that is not.

Chair Silvey agreed with Chair Fedorchak and Chair Scripps. He also stated that when talking about regional considerations, it must be something when you are looking across jurisdictions that has the force of law, that is somewhere in the footprint.

David Carr explained why Mississippi thought the “other” should be included as a public policy for purposes of regional cost allocation. He appreciates the other points raised showed that some of the other options do not have the binding effect of law. The policies being used to drive Long Range Transmission Planning (LRTP) process make sense but do not for the purposes of cost allocation. Although they do not have legal effect, they are impacting the planning needs for the system.

Greg Rislov noted that when looking at these responses the assumption of participant funding seems to be indicated outside of the federal and state law or regulation options. It is difficult to decide without more clarity regarding cost allocation.

The third question asked: “Assume a benefit/cost ratio threshold of 1.0. Solution A has a b/c ratio of 0.90. Solutions B, C, and D individually exceed a 1.0 b/c ratio and together have a 1.15 b/c ratio. Solutions A, B, C, and D together have a 1.20 b/c ratio. Should solutions A, B, C, and D be evaluated together or separately for purposes of cost allocation?”

The answers were as follows, together (70%) and separately (30%).

Commissioner Freeman stated that this question related to the portfolio approach. She noted in the past the group has talked about the total ratio being greater than the sum of its parts. Theoretically, she agrees and advocates for individual and portfolio evaluation of projects that are linked by drivers, share a common timeline for approval and construction, or operate synergistically.

The fourth question asked: “What is the appropriate area over which to allocate costs of LRTP projects?”

The answers were as follows: CAZs (18.2%), the entire MISO footprint (9.1%), an area agreed to by the identified beneficiaries (36.4%), and an area designated by MISO in the LRTP tariff (36.4%).

David Shaffer asked for clarification that the options, LRZs, CAZs, and TPZs, the qualifier would be benefitting. Commissioner Freeman responded affirmatively.

Commissioner Freeman asked the group, does the cost allocation depend on the type of benefit that we are talking about? Are there some benefits that lean towards the postage stamp side of the spectrum, and others that would lean towards the more granular side? She noted that for Indiana a strong argument can be made for postage stamping, to the largest degree possible, reliability benefits. That skews perhaps, footprint wide, more so than other economic benefits that are in a more discrete area.

The fifth and sixth questions were introduced and discussed together. Question five asked: "What is the optimal number of benefit metrics to include in the LRTP tariff?"

The answers were as follows: 2-5 (30%), 6-10 (20%), and as many as can be identified (50%).

Question six asked: "Is it appropriate to use a different number of benefit metrics of business case development and/or project approval than the number used for cost allocation?"

The answers were as follows: yes (54.5%) and no (45.5%).

Commissioner Freeman asked, if there is an opinion on whether an LRTP project would have to provide all identified benefits? Do all benefits have to be present in each proposed solution? She answered no, the project does not have to have all the benefits. Chair Fedorchak stated she answered, as many as can be identified, because she feels there will be an automatic winnowing down of the number that will be agreed upon. She agrees with Commissioner Freeman that they all do not have to be present for every project, but you would have to have enough to meet the cost benefit ratio.

The seventh question asked: "Do you have enough information about the first set of LRTP projects to determine whether MTEP 21 requires a new or tweaked cost allocation methodology?"

The answers were as follows: yes (8.3%) and no (91.7%).

Commissioner Freeman asked what is missing for you to be able to make this determination? Chair Scripps responded that he still wants to draw a distinction between the planning part and the cost allocation part as it is his understanding that this is designed to take place, even future one, over several MTEP cycles. As time progresses more information will be found but he does not believe that there will ever be a position where all the projects will be specifically associated together where you can move on to then figure out how to allocate costs.

Commissioner Huebner agreed with the points made by Chair Scripps. He noted that the modeling in particular the specific lines that may be proposed and the specific problems that they are proposing to address and then what they have done to show us that is the best solution for the problem. He would like more specifics of the problem and solution before deciding how costs should be allocated.

Greg Rislov agreed with the comments above and stated that we need more information before being able to make an appropriate determination regarding cost allocation.

- **Conclusion**

Commissioner Freeman concluded the meeting by noting the next CAPCom meeting will be on September 17, 2021.

- **Open Mic:** Commissioner Huebner asked if the responses to the questions would be sent out. David Carr proposed posting the questions and responses to SharePoint. Commissioner Freeman agreed and noted a disclaimer would be added.

The meeting concluded at approximately 3:20 pm (CT).