



**ORGANIZATION OF MISO STATES, INC.  
Cost Allocation Principles Committee  
March 29, 2021**

Commissioner Sarah Freeman, Chair of the Organization of MISO States, Inc. (OMS) Cost Allocation Principles Committee, called the March 29, 2021 meeting to order via Webex at approximately 2:00 pm (CT). The following committee members or their proxies participated in the meeting:

Kim O'Guinn, Arkansas  
Carrie Zalewski, Illinois  
David Johnston, proxy for Sarah Freeman, Indiana  
Richard Lozier, Iowa  
Talina Mathews, Kentucky  
Noel Darce, proxy for Erik Skrmetta, Louisiana  
Dan Scripps, Michigan  
Hwikwon Ham, proxy for Matt Schuerger, Minnesota  
David Carr, proxy for Dane Maxwell, Mississippi  
Rodney Massman, proxy for 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 Arthur D'Andrea, 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 January 25, 2021 Cost Allocation Principles Committee Meeting**  
The minutes were accepted as submitted.

## **Business Items**

- **L RTP Discussion Questions:**

Question 1: At a high level, how do you think about the connection between MISO's regional reliability requirement and state-jurisdictional resource adequacy?

David Carr, Mississippi, started the discussion by answering that the annual study conducted by MISO informs them of the demand/supply balance for local resources zone (LRZ) 10. The ability to import and export energy into and out of the LRZ. MISO determines a planning reserve margin (PRM) and recommends a share of that margin be assigned to the local zone subject to state regulatory consent. This information plays a significant role in the capacity expansion planning conducted by Entergy Mississippi and the commission's exercise of its resource adequacy jurisdiction. Commissioner Freeman asked, do you require official filings or proceedings around utilities resource planning and if so, are those approved by the commission? David Carr responded in the affirmative.

Chair Fedorchak, North Dakota, responded that input on resource decisions has come through other process and rates cases in all the generation decisions prior to now as they are becoming more involved in Integrated Resource Plans (IRPs). The MISO market has had high levels of impact on the generation decisions that our utilities have made based on the economics of the units that they can run in the MISO market. She agreed with David Carr regarding the capacity requirements and reserve margins that MISO set being a driver.

David Shaffer, New Orleans, stated that they do share in the attributes of Mississippi and North Dakota. New Orleans does have an IRP process and uses that process for the purposes of working through the resource portfolio of the local utility. A large part of that discussion is informed by MISO studies regarding the PRMR for the various LRZs.

Greg Rislov, South Dakota, responded to Commissioner Freeman's second question stating that they do not have preapproval authority by statute. While they oversee them, and they can make decisions on individual rate cases, but they do not dictate what the utilities can do. He supported sharing of risk within an RTO that has all the states participating in a manner that can be more efficient than any individual state or region could be.

David Johnston, Indiana, stated that they like to remain resource neutral, and they are forward looking in their IRP by going out on a 20-year time horizon. He confirms with South Dakota that having MISO set consistent requirements for the PRM gives utilities a foundation. The process of states working together is ultimately the responsibility of each state as they are responsible for resource adequacy. The depth of information is important in discussing LRTPs.

Hwikwon Ham, Minnesota, stated that they have an IRP process and MISOs regional margin combination has a direct impact on the decision-making process. In addition to the IRP process, it is the state's decision on the resource aspect which will have an impact on MISOs overall decision on the Transmission Line Reliability Issue. He believes that MISO has reasonable reliability requirements, and that state responsibility and jurisdictional resource adequacy has a strong relationship. There must be work done on both the MISO reliability and the statewide reliability issue.

Chair Scripps, Michigan, noted that in addition to the MISO local clearing requirement (LCR), Michigan has a local clearing requirement written into statute. The MISO LCR is high, above 99% in part due to issues with outages in existing generation, physical location, and export limits on the system. These are some of the items Michigan thinks about in terms of this kind of shared responsibility on resource adequacy and reliability.

Commissioner Huebner, Wisconsin, stated that per the PSC order their standard set a state PRM requirement of 14.5% measured by ICAP for year two and beyond. There is a complimentary connection that fits well between MISO and what the PSCW have ordered for its utilities. Utilities have options, however; it is the highest standard that applies.

Noel Darce, Louisiana, expressed agreement with the statements above but wanted to note that Louisiana has an IRP process that considers transmission needs to serve the load and the commissions does accept the IRP reports from utilities and approves it, but have staff review it carefully. This is a similar process to what other states have.

Chair Zalewski, Illinois, stated they do not have an IRP but rely on wholesale markets to meet their adequacy needs. She stated that the MISO regional reliability requirement and state resource adequacy goals can and should work together.

Board member Lozier, Iowa, stated they do not have a formal IRP but do have an advanced rainmaking process for resource portfolio planning, submitting information that justifies the need for new resources. The IUB requires an annual reliability service quality report that looks at the level of resources.

Questions 2: Does your state's planning process consider transmission system needs or system-wide impacts related to various resource options?

Chair Scripps opened the discussion and said in contested cases they do approve IRPs. They have gotten through the first round of IRPs for the utilities that serve Michigan, and transmission is one of the items that is required to be considered. In round two of the IRPs they will review, then ultimately approve, reject, or recommend changes.

Commissioner Freeman followed Chair Scripps by asking, what type of process did Michigan have in respect to IRPs before they were required by statute to approve them? Chair Scripps responded by stating there were IRPs in the 90s then they were ended all together until 2016 when they were reintroduced.

Commissioner Huebner stated that they do not have IRP by utility but have a strategic energy assessment that the commission performs every two years. It does not have the force of law. Transmission is covered but not in a prospective look at what transmission system needs may be. That takes place though another process like CPCN or an acquisition process.

David Carr asked for clarification on the meaning of the term “system wide impact”. Marcus Hawkins, OMS Executive Director, responded by stating it is referring to the MISO system. David Carr responded to the second question by stating, yes as it applies to the Mississippi State-regulated transmission system. Rule 29 of the commission requires all jurisdictional rate regulated gas and electric utilities to report to the commission annually on their efforts to improve energy delivery, through modernization of existing infrastructure, improvements to lower energy delivery costs, and or through the expansion of energy delivery to additional customers. Mississippi does not consider MISO system needs related to resource options outside the state unless Mississippi regulated utilities are joint owners or have PPAs with designated network resources.

Hwikwon Ham responded that currently there are plans for transmission lines, resource plans, and distribution systems. The planning process for each complement one another by feeding information in between. Minnesota statutes do require the commission to consider the impact on neighboring states regarding transmission line planning. Commissioner Freeman posed the question, when looking at the impact on neighboring states is that analysis done internally or are you reaching out to other states to discuss impacts? Hwikwon Ham responded that the information comes from the MISO Planning Process.

Chair Fedorchak noted that North Dakota is becoming more involved in IRPs but do not consider the system wide impact of various resource options. Currently their legislature is considering a transmission study as their state is full and they are energy exporters. There is a limit to how much more energy can be exported, and this would be a way to see how they can free up space.

Commissioner Matthews stated that they only time they engage with the transmission system is when it is in the process of going through the CPCN. At that time, they will discuss RTOs in the regions that have them.

Dave Johnston stated that utility IRPs are increasingly considering transmission aspects when considering new generation resources. This is done by using the MISO models of the transmission system to evaluate the ability of the transmission system to get power to the load, considering congestion. IRPs are not formally approved although the process has become more robust.

Board member Lozier noted that the advanced rate making process includes transmission costs. Since they are a part of MISO it is an important consideration for the utilities who are seeking advance rate making to connect into the MISO transmission system.

Chair Zalewski stated that they do not have an IRP process but do have citing authority and part of assignment siting authority is to consider public need.

Question 3: Compare/contrast the timeframe considered by your state’s resource planning process to the timeframe considered in transmission planning and benefit assessment?

Noel Darce stated that their timeframe for all three categories is 20 years. Commissioner Freeman asked, how often do your utilities revisit their plans? Noel Darce explained it is required to be done every 3 years and they can do interim reports if a significant change or event occurs.

Commissioner O'Guinn, Arkansas, said their IRPs are on a 3-year planning cycle over a 10-year assessment.

Hwikwon Ham noted that Minnesota has a 2-to-3-year cycle, Investor Owned utilities have a 2-year cycle and municipals have a 3-year cycle. The IRP process has a 5-year action plan with a 15-year time frame to evaluate the process.

Chair Scripps stated their IRP process calls for a minimum analysis period of 20 years, and looks at 5-, 10-, and 15-year plans. There is the ability to preapprove cost recovery for any investments that takes place within the first 3 years. They are required to be filed not less than once every 5 years.

David Carr noted that under rule 29 they use a 20-year study period.

Commissioner Huebner stated that currently there is no IRP process but a strategic energy assessment. This assessment is not binding but on a 6-year look ahead. It is completed every 2 years.

Rodney Massman noted that Missouri utilities must file every year then every 3 years meet and give updates. There are annual updates which aid in keeping the utility accountable. Their IRPs are on a 20 year look ahead.

Question 4: How should the value of regional diversity be analyzed considering: a. extreme weather events? b. expected increases in intermittent generation?

David Johnston started the conversation by stating the uncertainty and intermittent generation and the probability of extreme weather events need to be considered.

Hwikwon Ham said that the RTO market has the issue of balancing energy over a large geographical footprint. The cost and benefit of having a larger footprint, such as MISO, is stakeholders are already a part of geographical diversity through the transmission line system. This makes it possible to have a lower reserve margin and provide support to one another.

Noel Darce stated that the existing regional diversity adds value to the footprint. When looking to create new regional diversity, it needs to be done with some caution, especially in light of the statements related to recent cold weather events as positive proof that more transmission needs to be built. To evaluate expected increases to intermittent generation the value of regional diversity for new transmission should analyze the actual delivered cost of the resource.

Chair Scripps noted that with a LCR of 99% they are looking to MISO for support in addressing import and export limitations so that they are better integrated into the rest of the MISO footprint. The changing resource portfolio, including greater integration of intermittent resources, and increasing competition for home heating and electric generators, call for creative solutions.

Chair Fedorchak posed the question, how do you value this and how does this fit into the model? Commissioner Freeman discussed this point by stating everything comes at a cost and people must be compensated. While discussing benefit metrics those must be quantifiable to compensate people or charge appropriately.

Commissioner Huebner agreed with the responses that Chair Scripps and Noel Darce gave. He noted that there is a mismatch in the planning cycles he has seen while working with MISO. It is not a simple task but figuring how to integrate potential solutions into the portfolio and quantifying benefits in the class for transmission lines is where we need to go.

David Johnston echoed Noel Darce by stating he believes it is too early to make some concrete conclusions on what is needed. Until all the information is collected, a report is created, and an understanding of exactly what happened in all of the regions, a specific solution can not be named. He also pointed out that the resource mix is changing, and the turnover is happening much quicker these days.

Hwikwon Ham questioned the group, what is more important a solution or a perfect solution? Are we willing to wait for the perfect solution and risk more human tragedy?

Commissioner Huebner responded to the point made previously by Chair Fedorchak that we need to analyze and determine a fiscal value. To justify by showing that if a state lost power what the economic loss will be in connection to said outage. Board member Lozier agreed with Commissioner Huebner and noted that it is hard to quantify benefits, but easier to quantify the costs.

Question 5: What are your thoughts on MISO's existing MVP benefit metrics and associated analytical methods? a. Public Policy, b. Reliability, and c. Economic Benefits.

David Carr responded by stating that the reliability and public policy metrics are narrow under the current tariff. Today's policies do not usually address the minimum or maximum amount of energy that can be generated by specific types of generation going to the reliability benefit metric. Moving forward, the thought is transmission projects designed in whole or in part, to address reliability issues tied to delivery of energy and supportive state policy objectives should be assigned to the state or group of states that have adopted those policies.

Greg Rislov noted that historically they have looked closer at federal and state level. Since then, more state movement and changes have taken place. The MVPs are trying to address and resolve the issue of being driven by the federal level over the state level.

David Shaffer stated it would be their preference to work with what they already have. Instead of re-creating the system, applying new projects to previously developed plans, if feasible, would be the most efficient. Chair Fedorchak agreed that if it is possible to use existing tools it would be preferable. She said that regarding MISOs existing benefit metrics they are in favor of reliability and economic benefits. If public policy is the driver, then those driving that project should pay the bulk of the cost.

Hwikwon Ham stated that when there is any benefit it must be considered. MVP cost allocation has to be part of the solution and if we go in that direction, we should not change anything and deal with the existing cost allocation.

Commissioner Huebner noted that when looking at LRTP and the MTEP 21 cycle as LRTP projects are looking to join MTEP 21, it would be difficult to have new cost allocation language in the same timeframe. Thinking about LRTPs fitting into either market efficiency or another tariff that currently exists now would be most beneficial.

David Carr discussed the economic benefits by stating that one of the drivers for MVPs is providing multiple types of economic values across multiple pricing zones and the tariff lists out several economic values that can be used. Investment and reliability are not explicitly listed in the tariff. This causes pause in the use of these metrics in relation to LRTP projects.

- **Conclusion**

Commissioner Freeman concluded the meeting by requesting that members submit their answer to the sixth question via email by close of business on April 12, 2021. The answers will then be reviewed at the next CAPCom meeting on April 19, 2021.

- **Open Mic:** No comments.

The meeting concluded at approximately 4:00 pm (CT).