



ORGANIZATION OF MISO STATES, INC.
Cost Allocation Principles Committee
October 5, 2020

Approved 10/19/2020.

Commissioner Sarah Freeman, Chairperson of the Organization of MISO States, Inc. (OMS) Cost Allocation Principles Committee, called the October 5, 2020 meeting to order via Webex at approximately 2:00 pm (CT). The following board members or their proxies participated in the meeting:

Ted Thomas, Arkansas
Carrie Zalewski, Illinois
Sarah Freeman, Indiana
Venkata Bujimala, proxy for Richard Lozier, Iowa
Karen Wilson, proxy for Talina Mathews, Kentucky
Noel Darce, proxy for Erik Skrmetta, Louisiana
Dan Scripps, Michigan
Matt Schuerger, Minnesota
David Carr, 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 various staff participants from individual state commissions
Aubrey Johnson, Andy Witmeier, and Ben Stearney from MISO
Other meeting attendees

Administrative Items

- Marcus Hawkins, OMS Executive Director, took the roll as noted above.
- Commissioner Freeman reviewed Webex protocols and provided future 2020 meetings dates, which include October 19th, November 2nd, November 16th, and December 14th. The committee will discuss and determine the appropriate frequency for 2021 meetings at the end of the year.

Committee Governance

- The Cost Allocation Principles Committee was approved at the September 14, 2020 OMS Board of Director's meeting. The Committee will be governed by the OMS bylaws with discussion limited to board members or proxy(ies). Surveys and polls will be utilized both between and during meetings.
- Coordination with RECBWG: The goal of the Committee is to identify principles to influence and guide the MISO stakeholder process in the RECBWG.
- Committee Goals and Deliverables: The Committee's current scope is limited to the evaluation of cost allocation methodologies in light of MISO's long-range transmission plan. The two potential deliverables include guiding principles and any recommendations for revisions to MISO's current cost allocation tariff. Commissioner Schuerger asked about a conversation regarding procedures for decision making. Commissioner Freeman will add this as a future agenda item.

Committee Timeline

- 2020 Timeline: Commissioner Freeman highlighted 3 major focus areas.
 - Education - Commissioner Freeman provided a list of upcoming presentations and encouraged all members to reach out with any concerns.
 - Identification of critical decision points.
 - Development of the Guiding Principles.
- 2021 Timeline: The appropriate cadence, schedule, and duration will be determined at the end of 2020. Once the Guiding Principles are fully developed, the Committee will start with a review and evaluation of both well-known and unexplored cost allocation methodologies with discussion and language guided by the "first mover" L RTP projects used by Jennifer Curran. The Committee will then determine possible, if any, recommendations for revisions. David Carr from the Mississippi Public Service Commission requested further education to the Committee on MISO's long-range transmission planning process as it is currently outlined in the Business Practice Manual, specifically compared to other types of transmission planning processes being employed. Commissioner Freeman will discuss with MISO to add to next meeting's presentation. Commissioner Schuerger also noted that the OMS board approved a Position Statement regarding Long-Range Transmission Planning principles in June 2019, which was and is consistent with the MISO BPM, but with a longer time frame.

Background Presentation

- Aubrey Johnson introduced himself and other MISO staff dedicated to working with the Committee, including Jesse Moser, Ben Stearney, and Andy Witmeier. This [presentation](#) served as an introductory conversation about concepts around cost allocation. He started the discussion by reviewing conditions precedent for regional transmission investment. Aubrey highlighted that a business case is needed to support and validate the benefit to cost ratio payback for the project to

move forward. For the final condition “cost recovery mechanism that reduces financial risk,” David Carr requested an example of a cost recovery mechanism that would increase financial risk. Aubrey responded by noting that when a tariff has a cost recovery mechanism in place it provides more certainty for the TO. Aubrey noted that cost allocation isn’t static in MISO. It has continued to evolve, and the overall goal is to establish improved methods to align who is benefitting with who is paying. David Carr asked about the genesis of the guiding principles listed. Aubrey noted that they are a derivative of the overall transmission planning principles that have been adopted by the MISO Board.

Aubrey then reviewed primary cost allocation methodologies. He provided historical information, noting the evolution. Aubrey noted a key takeaway from FERC – costs incurred must be “roughly commensurate” with benefits. Commissioner Schuerger noted that benefits are identified through the transmission planning process and these benefits may change over time and should be dependent on the situation. Aubrey and Ben noted that a primary driver is the addition of new benefits metrics. Discussions are in process to find a balance of technical feasibility to measure the benefits with a quantifiable metric, noting that benefit metrics will evolve.

Chair Zalewski noted that the cost benefit analysis for the MEPs in 2011 were developed as a portfolio but questioned if MISO prospectively demonstrated the benefit. Aubrey discussed the tri-annual review, which FERC required to evaluate the value of those projects, includes an assessment of the MVPs benefits. Commissioner Freeman requested looking further into SPP in their review process, which involves a reconciliation when the cost-benefit ration doesn’t align.

Commissioner Fedorchak asked how and when zones were established and with what cost allocation process. Jesse Moser noted that the zones evolved over time beginning with 3 larger zones and moving to a more granular focus with changes to the resource adequacy construct. Zones for resource adequacy and cost allocation were then the same but evolved further with requests from the southern states.

Ben Stearney then provided an overview of transmission basics specific to cost allocation and congestion. He noted that congestion is not considered critical, which allows for additional time to determine the best fit project. Noel Darce requested how the voltage-level for cost shared interconnection projects was determined. Ben noted it was historically 50/50 allocation, moving to a blended approach in 2010-2012. Noel asked if a methodology was used to select the percentage, but this was unknown by MISO staff. Noel then asked if the cost allocation was specific to just the interconnection component of generator interconnection projects or also the system upgrades needed. Ben noted that this is defined as a network upgrade and provided an example, noting that actual interconnection costs are allocated to the generator.

Committee Discussion

- A hypothetical was distributed to the board on October 2nd for discussion during the meeting. David Carr noted the importance of the unknowns in the example and suggested initial discussion on the hypothetical questions today with an opportunity for written feedback following the meeting, which would then be circulated to all committee members.

Commissioner Fedorchak requested additional information regarding the goals of the hypotheticals. David Shaffer asked if this hypothetical was meant within the context of the already existing tariff or clean slate. Commissioner Freeman noted that these hypotheticals serve as

thought exercises and discussion items and many conditional responses are expected. She noted that further hypotheticals are dependent on their helpfulness and opinions of committee members.

Commissioner Freeman provided Indiana's response, noting that they used numbers to assist in their response. Cost allocation should be pro-rated based on the relative savings of the upgrade. The cost allocation should not be changed later due to congestion because it is a known risk.

David Carr presented Mississippi's response by first highlighting the many unknowns, including the drivers behind the benefits, the LSE's long-term resource plans, facts regarding MISO's proposed alternative, and impact on congestion on other zones. Based on specific assumptions, the TO, LSE, and solar facility should share the cost roughly commensurate with the benefits received. Previously allocated transmission costs should not be reallocated.

Commissioner Schuerger expressed his concerns about providing detailed responses at this level this early in the process, noting the risk of debating analytical approaches prematurely. He focused on the importance of guiding principles. On this specific example, he agreed with Commissioner Freeman that the multi-value project category was created for this situation, though noted concerns of ensuring benefits are measured properly and the cost-causers and beneficiaries are identified accurately. He noted his hopes that the OMS will focus on agreed-upon policies to shape and frame cost allocation.

David Shaffer agreed with the concept that if there is an existing cost allocation mechanism in place, there is no need to create a new one. Based on specific assumptions, New Orleans noted that this would be an economic-other project and the TO(s) or pricing zone where the project is located would be responsible for cost of the project. New Orleans agrees with Indiana and Mississippi that the cost allocation assigned should remain.

Chair Scripps agreed with many unknowns noted by David Carr. He expressed concern of uncertainty of the resources and the need to identify potential solar resources that are in the queue, though they may be less likely to be developed. He also agreed with needing to identify the drivers, though noted that aligns more with the cost-causer principle versus the beneficiary pays principle. He suggested that we identify further substance in the concepts of cost-causer and beneficiaries.

Commissioner D'Andrea highlighted questions from the hypothetical, including whether production costs actually measure the wholesale rates. He also questioned whether transmission cost allocation should account for the LSE's policy preferences.

Commissioner Fedorchak noted that she likes the hypothetical and is in favor of continuing. She agreed with questions on the drivers and noted that each of them should be involved in paying for the project. She also shared Arthur's concern for using policy goals for criteria and noted that the LSE should also pay for that component. She agreed with Chair Scripps that the cost-causer versus beneficiary-pays principles will need to be discussed further.

Chair Silvey noted Missouri imagined a cost-sharing scenario with a portion paid for by those that benefit from congestion relief and a portion paid for by the generators who utilize the capacity in the area. However, he noted the importance of not disincentivizing generators from connecting. He expressed hesitancy to redo cost allocation for the line, noting you'd need to know how those additional lines allowing the exports were paid for.

Chair Zalewski agreed with Commissioner Schuerger, though prefers the hypotheticals. Illinois agreed with identifying the drivers and the cost-causers and beneficiaries and then designing the cost assignment percentages.

Commissioner Schuerger expressed concern regarding the use and categorization of policy. He referenced the first principle from the OMS Position Statement regarding Long-Range Transmission Planning principles approved in June 2019, noting the change in resource mix. He encouraged the committee to focus on commonalities while respectfully recognizing differences. He also encouraged the committee to explore whether new cost allocation methods may be appropriate.

Chair Valcq supports the hypotheticals. She agrees with Commissioner Schuerger on policy and noted that committee members are still state regulators and have the statutory obligation to approve or not approve projects based on requirements. She also agreed with the need to further examine the cost-causer versus beneficiary. She noted that Wisconsin is in favor of potentially changing the cost allocation of a project.

Chair Scripps noted that Michigan is also open to changes in cost allocation, though has questions regarding logistics.

- Commissioner Freeman will send an email by COB Tuesday, October 6th with a timeline and additional request for feedback to the hypothetical. The next meeting is scheduled for October 19, 2020. Additional materials may be found on SharePoint.

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