



ORGANIZATION OF MISO STATES, INC.
Cost Allocation Principles Committee
November 2, 2020

Approved 11/14/2020.

Commissioner Sarah Freeman, Chair of the Organization of MISO States, Inc. (OMS) Cost Allocation Principles Committee, called the November 2, 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
Christine Ericson, proxy for Carrie Zalewski, Illinois
Sarah Freeman, Indiana
Venkata Bujimala, proxy for Richard Lozier, Iowa
Talina Mathews, Kentucky
Noel Darce, proxy for Erik Skrmetta, Louisiana
Bonnie Janssen, proxy for 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

Ben Stearney, Jeff Webb, Andy Witmeier, and Jesse Moser from MISO
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 October 19, 2020 Cost Allocation Principles Committee Meeting**
The minutes were accepted as submitted.

Business Items

- **MISO Cost Allocation Methodologies:** Ben Stearney from MISO presented on the historical and current MISO Cost Allocation Methodologies. He noted that the existing cost allocation methodologies in place are related to project types in the tariff. Cost allocation is tied to the evaluation of the project during the planning process. He presented the current types with a focus on MVPs and MEPs. The current cost allocation reform efforts began in 2014 with the expansion of the MISO footprint and the changing generation portfolio. After discussion with stakeholders and experimentation, the cost allocation proposal reduced the MEP voltage threshold from 345kV to 230kV, removed the postage stamp component in favor of a more granular cost allocation, and expanded benefits. They also considered benefit metric expansion beyond the adjusted production cost savings dependent on technical feasibility and ease of implementation.

Commissioner Freeman asked how software can restrict or influence choices with respect to benefit metrics and particular methodologies. Ben replied with an example feasibility of modeling transmission outages and discussed the software limitations for production cost modeling. He also noted they are still open to all options and continue to consider creative ways to look at benefits.

Commissioner Fedorchak asked for further clarification and elaboration on the agreement for the cost allocation for the GI area. Ben noted that the current process has been in place since around 2012. GI customers pay 100% of interconnection costs for upgrades below 345 kV, and 90% for interconnections 345 kV and above, with the remaining 10% allocated by postage stamp to load. Jeff Webb from MISO noted that back with Order 2003 from FERC, they needed to determine how to equitably cost share generator interconnection upgrades. They first used a negotiated approach of 50/50 cost allocation, which had the unintended consequence of allocating very significant costs to some smaller TO zones, so that these impacted zones were picking up a large share of the interconnection upgrades. The GI cost allocation was changed in light of this issue to the current method, at the same time the MVP cost allocation occurred.

Ben reviewed the types of cost allocation by cycle, noting most cost-shared projects are GI projects within the MTEP process. He then discussed MVPs, highlighting the quantitative and qualitative metrics used.

Commissioner Freeman noted that technology changes over time and discussed an example of decreased carbon output listed as a qualitative metric, but also discussed the option of decreased carbon emission as a quantitative metric. She then asked, "how does MISO decide whether a quantification is valid for purposes of this?" Ben responded that they have varying options for applying to the futures definition and economic models, such as a previously used carbon adder. It will all vary depending on the metric used.

Ben then presented further information regarding the mathematical formulas with examples. Commissioner Freeman asked for clarification about the negative weighted APC savings numbers. Ben noted that this is a weighted feature, and no one will be charged if benefits are not positive. Commissioner Fedorchak then asked what the numbers of negative savings represent. Ben

responded that it is referring to how generation has shifted for the best optimization of energy delivered with the goal of facilitating lower cost resources to the load. Christine Ericson asked if the algorithms are public. Ben noted that there is a public Adjusted Production Cost whitepaper. The actual code is available for stakeholders who have an NDA.

- **Stakeholder Feedback – Question 1: What problems (if any) have you identified with MISO's existing cost allocation methodology, including any barriers the methodology poses to the development of needed electric infrastructure? What changes to MISO's existing cost allocation methodology would address these problems and eliminate these barriers?**

Commissioner Sarah Freeman introduced stakeholder feedback question and responses provided, labeled Item 2a in the packet. She noted that the OMS Staff put a summary presentation together for further review, labeled Item 2b in the packet.

Noel Darce encouraged all members to read the comments completely versus only the summary slides and noted many responses do not fit neatly into a specific category. From his perspective, many stakeholders who responded didn't identify barriers, though were still agreeable to minor changes. He did not identify broad support for the need to eliminate the categories.

Commissioner Freeman asked Noel if he was referring to the project categories when he previously mentioned eliminate the categories. Noel responded that when reading the feedback, he identified some stakeholders who wanted to eliminate the MEPs or start from scratch while other parties do not see the need for a new category. He then discussed that Louisiana interpreted the question as "do existing categories create a barrier?"

David Carr noted that Mississippi agrees with Louisiana. Based on their review of the responses, there seems to be broad support for MISO's existing cost allocation categories. Several entities noted that MISO has yet to implement the recently approved changes to the MEP and a wholesale examination of MISO's cost allocation methodology would be premature. In their opinion, conversation should be focused on types of projects that are likely to be identified in MISO's LRTP process rather than entertaining wholesale revisions to MISO's current cost allocation methodology.

Greg Rislov agreed that we don't necessarily need to start from scratch but supported further examination to determine beneficiaries. South Dakota agrees with additional revisions if they continue to see generation growth in remote areas.

Commissioner Schuerger identified broad support around better alignment of beneficiary and payer as well as new benefit metrics. He expressed his hope that the committee continues to consider those important issues and are not taken out of conversation prematurely.

Chair Valcq also reiterated what Commissioner Schuerger stated, noting that a vast majority of stakeholders identified the need to improve the beneficiary/payer alignment. While some didn't identify barriers, there does seem to be confusion on the definition of beneficiary and how the states within the different zones are being impacted.

David Carr also noted the support from stakeholders for possibly allocating some transmission cost to generators and some generator interconnection costs to load, though expressed concern for the lengthy amount of time this would take and encouraged focus on this effort.

Commissioner Freeman asked if the responses were project-type dependent. Greg Rislov responded that he did read comments focused on a project category and noted the concerns for MVPs, but also recognized they have been successful in South Dakota. His hope would be that the alternative would recognize circumstances of the remote areas.

Commissioner Freeman asked the committee about the generator interconnection projects and if the markets are sending the right signals, noting that some areas are congested with projects. Commissioner Fedorchak agreed that this needs to be considered.

David Carr referenced a few stakeholder responses related to higher connection costs are signaling higher congestion in generator development and noted Mississippi is partial to this as well. He then highlighted NSP's comments regarding the MVP barrier of the portfolio requirement and consideration of a subregional portfolio.

Commissioner Freeman noted that MISO has expressed intent to consider subregional projects through the LRTP, but how is subregion defined? Jeff Webb from MISO responded that they didn't formally define the subregions in the context of the LRTP issues, though they may align with the planning subregions. Considerations include regulatory interests and other needs aligning in the modeling and planning process.

Carolyn Wetterlin from NSP provided additional elaboration to NSP's comments discussed by David Carr. In their idea, the subregional MVP would have the same structure as a regional MVP, but the costs allocated subregionally. Commissioner Freeman asked about elements of the MVP that would remain. Carolyn responded with the multiple benefits, including reliability and public policy.

Chair Valcq expressed that she is in favor of this concept with the more granular, subregional approach.

Bonnie Janssen expressed the importance of looking at the whole list of qualitative benefits. The committee could consider having stakeholders make a new set of qualitative benefits or change to quantitative to identify new potential benefit metrics.

- **Open Mic:** Commissioner Freeman discussed presentations planned for next meeting with a focus on benefit metrics. David Carr expressed the importance to identify and distinguish between qualitative and quantitative benefits in future discussions.

The meeting concluded at approximately 3:30 pm (CT).