



ORGANIZATION OF MISO STATES, INC.  
Cost Allocation Principles Committee  
November 16, 2020

Approved 12/14/2020

Commissioner Sarah Freeman, Chair of the Organization of MISO States, Inc. (OMS) Cost Allocation Principles Committee, called the November 16, 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  
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  
Julie Fedorchak, North Dakota  
Greg Rislov, proxy for Gary Hanson, South Dakota  
Arthur D'Andrea, Texas  
Becky Valcq, Wisconsin

Absent

Manitoba  
Montana  
New Orleans

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

Others present

Johannes Pfeifenberger, The Brattle Group  
OMS staff and staff participants from individual state commissions  
Staff from MISO  
Other meeting attendees

## Administrative Items

- Commissioner Freeman revisited the two objectives of this committee: 1. Develop and adopt a set of guiding principles around cost allocation to be supported by a majority of members. 2. Apply the stakeholder feedback and OMS guiding principles to MISO's existing cost allocation tariffs to determine if changes are necessary.
- Marcus Hawkins, OMS Executive Director, took the roll as noted above.
- **Approval of Minutes from the November 2, 2020 Cost Allocation Principles Committee Meeting**  
The minutes were accepted as submitted.

## Business Items

- **Benefit Metrics:** Johannes Pfeifenberger from The Brattle Group gave a [presentation](#). He provided background on general transmission planning processes, highlighting the importance for improvements while also identifying the key challenges/barriers. He provided a few reports on transmission planning/benefits for members to review. Commissioner D'Andrea asked about the sponsorship of the reports listed. Hannes responded that the reports were sponsored by the Wires group. Commissioner Freeman asked about the value of benefits increasing over time and how that gets quantified. For example, are they averaged out over a lifetime? Will some pay more now, benefit more later? Hannes responded that most RTO's are using a 40- to 50-year present value calculation to compare the cost that customers would be paying over those years compared to the benefits. He noted that some of the cost recovery mechanisms can tilt the trajectory of the cost recovery to be parallel with benefits, while other models may have benefits backloaded.

Hannes made a specific recommendation to separate the benefit-cost analysis of projects from cost-allocation of approved portfolios, using MEPs as an example. He noted that this can reduce the conflict that arises from some not wanting to identify the benefits out of concern for receiving more cost allocation. Commissioner Freeman asked for further clarification on the cost allocation for projects over time or how that would work. Hannes responded with an example from SPP noting that all projects planned through the ITP process are added up for cost recovery and benefit calculation. Approximately every 3 years, they go through a regional cost allocation review effort to calculate the benefit and cost allocation for the entire portfolio.

Greg Rislov agreed with Hannes noting that the benefits will likely alternate over time, but the idea is that everyone would benefit. If opposed, you would lose benefits in comparison to the current state and trying to analyze the benefits to get them exact cannot be economically done. Hannes responded in agreement and noted that people also receive different types of benefits. Benefits should be quantified, but it's easier and less controversial to quantify the benefits from a portfolio versus all of the projects within the portfolio.

Hannes then discussed the different types of benefits, noting that transmission benefits change over time as the grid changes. He discussed different metrics, such as the most commonly used Adjusted Production Costs (APC). He referenced a 2013 WIRES study, highlighting transmission benefits and the best practices for quantifying them.

Noel Darce asked how more nebulous benefits, such as public policy can be assigned a value. Hannes responded with examples, such as quantifying the benefits by making it part of the cost. He also noted that if the quantified benefits cover the costs, the unquantifiable benefits become less urgent. Noel still expressed concerns for the difficulty in the explanation that those who are paying the cost have comparable benefits.

David Carr referenced slide 12 with the WIRES study and asked for further clarification on process on narrowing down and determining which benefits are more reasonable or able to be implemented. Hannes responded that they looked at options around the country and identified areas that may be similar but have a different name. They then defined the benefits narrowly to avoid double counting. He provided additional examples. David Carr summarized that one criterion is no double counting and the other issue is to determine the goals/drivers behind the planning process, then determine the benefits that are quantifiable. The qualitative benefits may be used in business cases or for informational purposes.

Commissioner D'Andrea expressed his skepticism of parts of this project, noting that it seems in favor of building more transmission. He asked why we aren't thinking this expansively about the costs and how we quantify the qualitative costs, such as the destruction of wildlife habitats and environmental justice concerns. Hannes noted that this is a really important question and environmental justice is clearly a big concern, providing examples. He responded that some of the qualitative considerations might need to be addressed as part of the state siting process. He also expressed that we can put costs on environmental externalities, highlighting that many projects in one future may have benefits but turn to costs in the next future. Hannes reviewed additional examples to complete his presentation.

- **Stakeholder Feedback – Question 2: MISO currently uses three benefit metrics: adjusted production cost, avoided reliability projects, and MISO-SPP Settlement Agreement savings. Do these benefit metrics capture all of the quantifiable benefits provided by new transmission? If they do not:**
  - A. **Should the three benefit metrics currently in use be revised? How?**
  - B. **Are new benefit metrics needed to reflect the benefits received from new transmission? How should the new benefits be quantified?**

Commissioner Sarah Freeman introduced stakeholder feedback question, full responses, and discussion slides, labeled Item 3 in the packet, and asked for responses or questions from committee members.

David Carr noted that most of the proposed metrics have been discussed previously in the MISO stakeholder process during the MEP cost allocation discussions and requested an update from MISO from their June 13<sup>th</sup> presentation and their current thinking of the different metrics. He also recommended that the focus is on developing a set of guiding principles and highlighted the importance of objectively quantifiable, not duplicative, and forward-looking. Commissioner Freeman agreed that a consensus is building around certain principles, which will be the focus at the December 14<sup>th</sup> meeting.

Commissioner Fedorchak asked about how cost drivers fit into the discussion of benefits. Commissioner Freeman agreed that this may need to be considered when moving forward with the cost allocation principles.

Commissioner Schuerger agreed that it might be good to check in with MISO about earlier discussions and metric decisions, but emphasized that we have feedback from stakeholders. Some of the stakeholder feedback highlight prior MISO discussions that had a broader set of metrics and some of those may be worth revisiting. He expressed his hope that we won't prematurely limit some of these additional metric considerations. David Carr responded that the prior discussion on the benefit metrics occurred in a very narrow context on whether we should add those proposed metrics to the MEP categories. He thinks it would be helpful to have MISO's insight on these different proposed metrics (e.g., technical questions) because this discussion is broader.

- **Open Mic:**

**December Meeting:** Commissioner Freeman noted that we've received a few draft guiding principles. She envisioned all members sharing proposed principles in written form prior to the December meeting and having a robust discussion at the meeting. Greg Rislov asked about a more specific scope. Commissioner Freeman noted that the cost allocation guiding principles should not necessarily be tied to assumptions so that they are not too narrow.

After further discussion amongst board members, it was decided that each member would create a set of draft principles to discuss at the December meeting with a proposed statement of principles being an action item in January 2021. Deadline for CAPCom members to submit draft cost allocation principles to [kelly@misostates.org](mailto:kelly@misostates.org) by December 7<sup>th</sup>. OMS staff will circulate a request to committee members and provide previously submitted principles and prior OMS-approved principles to serve as a reference guide for format and structure.

**2021 Calendar:** Commissioner Freeman asked about 2021 meeting dates and preferences. After further discussion amongst board members, it was decided that the OMS staff will compile draft dates for first quarter of 2021, continuing with the same day and time.

The meeting concluded at approximately 3:55 pm (CT).