160 FERC ¶ 61,079
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Midcontinent Independent System Operator, Inc. — Docket No. ER17-387-001

ORDER REJECTING COST ALLOCATION PROPOSAL

(Issued September 20, 2017)

1. On November 18, 2016, as amended on February 13, 2017, pursuant to section 205 of the Federal Power Act (FPA),[1] Midcontinent Independent System Operator, Inc. (MISO) filed proposed revisions to Attachment FF-6 of its Open Access Transmission, Energy and Operating Reserve Markets Tariff (Tariff) to (1) recognize that some transmission projects in the MISO Transmission Expansion Plan (MTEP) may terminate wholly outside of MISO and (2) provide cost allocation methods for use during the Transition Period (defined below) for MISO's share of the costs of interregional reliability, economic, and public policy-related transmission projects that terminate wholly outside MISO. On April 11, 2017, pursuant to the authority delegated by the Commission's February 3, 2017 Order Delegating Further Authority to Staff in Absence of Quorum,[2] MISO's proposed Tariff revisions were accepted for filing, suspended for a nominal period, to become effective January 18, 2017, as requested, subject to refund and further Commission order.[3]

2. In this order, we find that MISO has not shown that its proposed cost allocation methods for MISO's share of the costs of interregional reliability, economic, and public policy transmission projects that terminate wholly outside MISO are just and reasonable. Therefore, as discussed below, we reject MISO's proposed tariff revisions.

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[1] 16 U.S.C. § 824d (2012).

[2] *Agency Operations in the Absence of a Quorum*, 158 FERC ¶ 61,135 (2017).

[3] *Midcontinent Independent System Operator, Inc.*, 159 FERC ¶ 62,043 (2017).

I. Background

3. The Commission in Order No. 1000[4] defined an interregional transmission facility as "one that is located in two or more transmission planning regions."[5] However, under provisions in MISO's Joint Operating Agreement (JOA) with PJM Interconnection, L.L.C. (PJM) and in MISO's JOA with Southwest Power Pool, Inc. (SPP), a transmission project can qualify as an interregional transmission project even if it is located in only one of the two neighboring Regional Transmission Organizations (RTO). The Commission found that these provisions complied with the interregional cost allocation principles in Order No. 1000.[6] Therefore, under both the MISO-PJM JOA and the MISO-SPP JOA, a transmission project can be located entirely outside of, and not interconnect to, the MISO transmission system and still qualify as an interregional transmission project.

4. In addition, Order No. 1000 requires that an interregional transmission facility must be selected in each of the relevant transmission planning region's transmission plans for purposes of cost allocation in order to be eligible to use the interregional cost allocation method.[7] Under the MISO Tariff, interregional reliability transmission projects and interregional public policy transmission projects must be selected in the MISO regional transmission plan as Multi-Value Projects to be eligible to use the interregional cost allocation method.[8] MISO's regional transmission planning process requires, among other things, that "a Multi-Value Project be evaluated as part of a Portfolio of projects, as designated in the transmission expansion planning process, whose benefits are spread broadly across the MISO footprint."[9] The costs of a Multi-

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[4] *Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities*, Order No. 1000, FERC Stats. & Regs. ¶ 31,323 (2011), *order on reh'g*, Order No. 1000-A, 139 FERC ¶ 61,132, *order on reh'g and clarification*, Order No. 1000-B, 141 FERC ¶ 61,044 (2012), *aff'd sub nom. S.C. Pub. Serv. Auth.* v. *FERC*, 762 F.3d 41 (D.C. Cir. 2014).

[5] Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at n.374.

[6] *See PJM Interconnection, L.L.C.*, 155 FERC ¶ 61,008, at PP 63, 65 (2016) and *Southwest Power Pool, Inc.*, 154 FERC ¶ 61,075, at P 14 (2016).

[7] Order No. 1000, FERC Stat. & Regs. ¶ 31,323 at P 400.

[8] *Midwest Indep. Transmission Sys. Operator, Inc.*, 142 FERC ¶ 61,215, at P 519 (2013).

[9] MISO, FERC Electric Tariff, Attachment FF, § II.C.1 (52.0.0).

Value Project are allocated 100 percent regionally to all MISO customers on a usage basis.[10]

5. Relatedly, to be eligible for interregional cost allocation, interregional economic transmission projects must be selected in the MISO regional transmission plan as either a Multi-Value Project or a Market Efficiency Project. A Market Efficiency Project is a transmission project that does not qualify as a Multi-Value Project, but provides market efficiency benefits to one or more market participant(s) that MISO determines are sufficient to justify selection in the MISO regional transmission plan.[11] Twenty percent of the costs of a Market Efficiency Project are allocated regionally to all load within MISO and eighty percent are allocated to customers within each benefitting Local Resource Zone.[12]

6. As part of the proposal to integrate Entergy Corporation and its operating companies (collectively, Entergy) into MISO as transmission-owning members, the Commission accepted revisions to the MISO Tariff to, among other things, establish a planning and cost allocation framework that would apply during a five-year transition period.[13] To facilitate the transition, MISO created two planning areas in MISO: the First Planning Area (which covers the pre-existing MISO members)[14] and a new Second Planning Area (which includes Entergy).[15] The Commission also accepted Attachment

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[10] MISO, FERC Electric Tariff, Attachment FF, § III.A.2.g.i (52.0.0).

[11] MISO, FERC Electric Tariff, Module A, § II.1.M (Definitions – M) (38.0.0).

[12] MISO, FERC Electric Tariff, Attachment FF, § III.A.2.f (52.0.0).

[13] *Midwest Indep. Transmission Sys. Operator, Inc.*, 139 FERC ¶ 61,056 (2012), *order on reh'g*, 141 FERC ¶ 61,128 (2012).

[14] The First Planning Area is defined as: The Transmission System of the [MISO] Region as it existed immediately before the effective date of the Second Planning Area. The First Planning Area may be modified from time to time by: (1) the addition of any transmission facilities in the Midwest portion of the United States (i.e., Illinois, Indiana, Iowa, Kentucky, Michigan, Minnesota, Missouri, Montana, North Dakota, Ohio, South Dakota, and Wisconsin) where transmission facilities not under the functional control of [MISO] are subsequently conveyed to the functional control of [MISO] to be used to provide Transmission Service under Module B of the Tariff; or (2) the withdrawal from the [MISO] Region of a Member located in the First Planning Area. MISO, FERC Electric Tariff, Module A, § II.1.F (Definitions – F) (38.0.0).

[15] The Second Planning Area is defined as: The area of the [MISO] Region where Entergy Corporation and its Operating Companies that own and/or operate transmission

FF-6 of the MISO Tariff, which outlines, among other things, the cost allocation methods that MISO will apply to transmission projects identified in the MTEP during the Second Area Planning Area's Transition Period (Transition Period), which ends in December 2018.[16]

II. November 18, 2016 Filing

7. MISO proposes revisions to Attachment FF-6 to establish new regional cost allocation methods for its portion of the costs of interregional transmission projects that terminate wholly outside of MISO. MISO states that these revisions are necessary to: (1) recognize that some transmission projects in the MTEP may terminate wholly outside of MISO; and (2) provide cost allocation methods for use during the Transition Period for MISO's share of the costs of interregional reliability, economic, and public policy-related transmission projects that terminate wholly outside MISO.[17] MISO states that, although the MTEP currently does not include any interregional transmission projects that terminate wholly outside MISO, interregional studies are currently underway that could

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facilities (i.e., located in Arkansas, Louisiana, Mississippi, or Texas) that are conveyed to the functional control of [MISO] to provide Transmission Service pursuant to Module B of the Tariff. The Second Planning Area shall be formed when the first Entergy Operating Company conveys functional control of its transmission facilities to [MISO], and may be expanded if other Entergy Operating Companies or adjacent utilities in Arkansas, Louisiana, Mississippi or Texas, join MISO later in the Second Planning Area's Transition Period. MISO, FERC Electric Tariff, Module A, § II.1.S (Definitions – S) (38.0.0).

[16] The Second Planning Area's Transition Period is defined as: The period: (i) commencing when the first Entergy Operating Company conveys functional control of its transmission facilities to [MISO] to provide Transmission Service under Module B of this Tariff; (ii) consisting of at least five consecutive (5) years, plus the time needed to complete the [MISO Transmission Expansion Plan (MTEP)] approval cycle pending at the end of the fifth year; (iii) ending on the day after the conclusion of such MTEP approval cycle, which in no case shall be more than six years after the start of that period; and (iv) during which [MISO] shall review and compare the current states of the transmission systems in the First Planning Area and the Second Planning Area and, if a lack of comparability is found, shall identify transmission projects necessary to achieve comparability. The processes for identifying transmission projects necessary to achieve comparability and allocating costs associated with the projects that are so identified during the Second Planning Area's Transition Period are set forth in Attachment FF-6. MISO, FERC Electric Tariff, Module A, § II.1.S (Definitions – S) (38.0.0).

[17] MISO Transmittal at 1.

result in the selection of such projects.[18] MISO states that, because Attachment FF-6 did not, prior to the instant filing, contain a cost allocation method for allocating MISO's portion of the costs of an interregional transmission project that terminates wholly outside the MISO footprint, such costs would be allocated within MISO in accordance with Attachment FF.[19] MISO states that, absent its proposed changes to Attachment FF-6, MISO's portion of the costs of an interregional economic transmission project that terminates wholly outside of MISO would be allocated using the non-Transition Period Market Efficiency Project cost allocation method in Attachment FF—80 percent to the benefiting Local Resource Zones and 20 percent postage stamp across the entire MISO footprint. MISO states that such a result is inconsistent with the original intent of Attachment FF-6.[20]

8. MISO further notes that its proposal is the result of an extensive stakeholder process. MISO states, however, that at the stakeholder meetings convened to address the issue of cost allocation for interregional transmission projects that terminate wholly outside of MISO, approximately half of the stakeholders supported MISO's proposal to revise Attachment FF-6 while the other half of stakeholders preferred maintaining the non-Transition Period Market Efficiency Project cost allocation method in Attachment FF for interregional economic transmission projects that terminate wholly outside of MISO.[21]

9. To remedy the inconsistency between the cost allocation for MISO's portion of the costs of interregional transmission projects located wholly outside of MISO under Attachment FF and the intent of Attachment FF-6, MISO proposes new cost allocation methods – which are detailed in the following sections – for MISO's share of the costs of interregional transmission projects that terminate wholly outside of MISO. In order to be eligible to use those new cost allocation methods, the transmission project would still need to be selected as a Market Efficiency Project or Multi-Value Project in MISO's regional transmission plan for purposes of cost allocation.

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[18] *Id*. at 3.

[19] Attachment FF describes the process MISO uses to develop the MTEP and, among other things, outlines the cost allocation methods that (1) apply during the Transition Period for any transmission projects that are not subject to the Transition Period cost allocation methods in Attachment FF-6, and (2) apply to all other transmission projects absent the cost allocation methods in Attachment FF-6.

[20] MISO Transmittal at 2.

[21] *Id*. at 3-4.

A. Cost Allocation for Interregional Reliability Transmission Projects

10. MISO proposes that its portion of the costs of an interregional reliability transmission project that terminates wholly within SPP that is associated with the project's reliability benefits will be allocated to those entities who would have paid for the regional transmission projects in the MISO footprint that the interregional reliability transmission project avoids. MISO proposes that its portion of the costs of an interregional reliability transmission project that terminates wholly within SPP that is associated with the project's economic benefits will be allocated to benefiting Local Resource Zones based on adjusted production cost savings.[22]

11. MISO proposes that its portion of the costs of an interregional reliability transmission project that terminates wholly within PJM will be allocated to those entities who would have paid for the regional transmission projects in the MISO footprint that the interregional reliability project avoids.[23]

B. Cost Allocation for Interregional Economic Transmission Projects

12. MISO proposes that MISO's portion of the costs of an interregional economic transmission project terminating wholly outside MISO be allocated 100 percent to the benefitting Local Resource Zones based on adjusted production cost savings.[24]

C. Cost Allocation for Interregional Public Policy Transmission Projects

13. MISO proposes that MISO's portion of the costs of an interregional public policy transmission project terminating wholly outside MISO be allocated to those entities who would have paid for the regional transmission projects in the MISO footprint that the interregional public policy transmission project avoids.[25]

III. Deficiency Letter

14. On January 12, 2017, the Director, Division of Electric Power Regulation - Central issued a deficiency letter finding that several elements of MISO's proposal required clarification and requested additional support for the proposed cost allocation

[22] MISO, FERC Electric Tariff, Attachment FF-6, § 4.A.2.c.i.b (32.0.0).

[23] MISO, FERC Electric Tariff, Attachment FF-6, § 4.A.2.c.i.a (32.0.0).

[24] MISO, FERC Electric Tariff, Attachment FF-6, § 4.A.2.c.ii (32.0.0).

[25] MISO FERC Electric Tariff, Attachment FF-6, § 4.A.2.c.iii (32.0.0).

methods (Deficiency Letter). On February 13, 2017, MISO responded to the Deficiency Letter (Deficiency Response).

IV. Notice

15. Notice of the November 18, 2016 Filing was published in the *Federal Register*, 81 Fed. Reg. 85,221 (2016), with comments due by December 9, 2016.

16. Notices of intervention and timely motions to intervene were filed by: the Mississippi Public Service Commission; the Council of the City of New Orleans (New Orleans Council); the Illinois Commerce Commission; the Iowa Utilities Board; Entergy Services, Inc.;[26] the Public Utility Commission of Texas; Midcontinent MCN LLC; Organization of MISO States; the Arkansas Public Service Commission; Wisconsin Electric Power Company and Wisconsin Public Service Corporation; Consumers Energy Company; Alliant Energy Corporate Services, Inc.; NRG Power Marketing LLC and GenOn Energy Management, LLC; MISO Transmission Owners (MISO TOs);[27] Indiana Utility Regulatory Commission; E.ON Climate & Renewables North America, LLC and EDF Renewable Energy, Inc. (together, Generator Group); and the Louisiana Public

[26] Entergy Services, Inc. filed on behalf of Entergy Arkansas, Inc.; Entergy Louisiana, Inc., Entergy Mississippi, Inc., Entergy New Orleans, Inc., and Entergy Texas, Inc.

[27] For purposes of this pleading, MISO TOs consist of: Ameren Services Company, as agent for Union Electric Company, Ameren Illinois Company; American Transmission Company LLC; Big Rivers Electric Corporation; Central Minnesota Municipal Power Agency; City Water, Light & Power (Springfield, IL); Cleco Power LLC; Cooperative Energy; Dairyland Power Cooperative; Duke Energy Business Services, LLC for Duke Energy Indiana, LLC; East Texas Electric Cooperative; Entergy Arkansas, Inc.; Entergy Louisiana, LLC; Entergy Mississippi, Inc.; Entergy New Orleans, Inc.; Entergy Texas, Inc.; Great River Energy; Hoosier Energy Rural Electric Cooperative, Inc.; Indiana Municipal Power Agency; Indianapolis Power & Light Company; International Transmission Company; ITC Midwest LLC; Michigan Electric Transmission Company, LLC; MidAmerican Energy Company; Minnesota Power (and its subsidiary Superior Water, L&P); Missouri River Energy Services; Montana-Dakota Utilities Co.; Northern Indiana Public Service Company; Northern States Power Company, a Minnesota corporation, and Northern States Power Company, a Wisconsin corporation, subsidiaries of Xcel Energy Inc.; Northwestern Wisconsin Electric Company; Otter Tail Power Company; Prairie Power Inc.; Southern Illinois Power Cooperative; Southern Indiana Gas & Electric Company; Southern Minnesota Municipal Power Agency; Wabash Valley Power Association, Inc.; and Wolverine Power Supply Cooperative, Inc.

Service Commission. MISO TOs and MISO South Regulators filed comments or protests.[28] On December 19, 2016, American Municipal Power, Inc. (AMP) filed a motion to intervene out of time.[29] On December 22, 2016, MISO and MISO South Regulators filed answers.

17. Notice of the February 13, 2017 Deficiency Response was published in the *Federal Register*, 82 Fed. Reg. 11,216 (2017), with interventions and protests due on or before March 6, 2017. On March 6, 2017, New Orleans Council filed a protest of the Deficiency Response. On March 21, 2017, MISO filed an answer.

V. Comments and Responsive Pleadings

18. Generator Group argues that the criteria in MISO's Tariff that require a Market Efficiency Project be rated at 345 kV or higher and meet a 1.25-to-1 benefit-to-cost ratio preclude MISO from approving interregional economic transmission projects. In particular, Generator Group states that these criteria impede: (1) the development of Market Efficiency Projects in MISO; (2) the achievement of consumer benefits; and (3) the development of interregional transmission projects.[30] Generator Group expresses doubt that MISO will address these barriers in a timely fashion unless the Commission directs it to do so.[31] Thus, Generator Group argues, the Commission should reject MISO's proposal. In the alternative, Generator Group requests that the Commission condition its acceptance of the proposed cost allocation methods on MISO removing the 345 kV voltage requirement and lowering the benefit-to-cost ratio to 1.0-to-1.0 or, alternatively, that the Commission issue either a show cause order or order establishing a paper hearing to address these criteria.[32]

19. MISO TOs state that they support MISO's proposal as an appropriate mechanism to be used during the Transition Period. However, they also state that the Commission should clarify that any order addressing the instant filing does not establish any precedent

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[28] For purposes of this pleading, MISO South Regulators consist of: the Arkansas Public Service Commission; the Louisiana Public Service Commission; and the Mississippi Public Service Commission.

[29] In view of the second comment date established in response to MISO's Deficiency Response, we deem AMP's intervention to be timely.

[30] Generator Group Protest at 2.

[31] *Id*. at 4-5.

[32] *Id*. at 7.

applicable to, or prejudge the consideration of, the appropriate cost allocation methods to be used for interregional transmission projects after the Transition Period ends.[33]

20. MISO South Regulators support MISO's proposal, stating that there is a gap in MISO's current Tariff cost allocation method for transmission projects located wholly within an RTO other than MISO that also benefit some MISO market participants during the Transition Period. If the Commission does not accept MISO's proposal, however, MISO South Regulators argue that the Commission should conclude that the Tariff does not authorize the sharing of costs (i.e., postage stamp component) of transmission projects located wholly outside of MISO across both the First Planning Area and the Second Planning Area because sharing these costs would be inconsistent with the Transition Period pricing design and the underlying state regulatory orders that authorized Entergy's membership in MISO. In addition, MISO South Regulators state that MISO should clarify that: (1) interregional economic transmission projects that terminate wholly outside of MISO do not automatically qualify as Market Efficiency Projects and that such project must satisfy the cost, voltage, and other criteria in the Tariff applicable to Market Efficiency Projects; and (2) under the relevant proposed cost allocation methods, allocation of costs among Local Resource Zones that benefit from an interregional transmission project will be in proportion with the benefits the Local Resource Zone receives.[34]

21. In its answer, MISO argues that Generator Group's complaints about the current Market Efficiency Project voltage and benefit/cost ratio criteria are beyond the scope of this proceeding. Further, MISO argues that the proposed Tariff revisions are consistent with the Commission's cost causation principles because they would allocate MISO's share of the costs of any interregional economic transmission project located wholly outside of MISO to Local Resource Zones that would benefit from such a project. In addition, MISO disputes Generator Group's claims of MISO inaction with respect to Market Efficiency Projects, arguing that it is addressing Generator Group's concerns through its stakeholder process. Finally, MISO argues that Generator Group's requests for a show cause order and a paper hearing are baseless.[35]

22. Similarly, in its answer, MISO South Regulators argue that Generator Group offers no substantive critique of the MISO's proposed Tariff revisions. MISO South

[33] MISO TOs Comments at 5-6.

[34] MISO South Regulators Comments at 1-2.

[35] MISO Answer at 3-7.

Regulators further state that if the Generator Group has concerns with the Market Efficiency Project criteria, it should participate in the ongoing stakeholder process.[36]

23. In response to MISO South Regulators' requests for clarifications, MISO states that it agrees with the clarification that MISO's share of an interregional transmission project's costs should be allocated to benefitting Local Resource Zones in proportion to their respective benefits, and MISO states that it will amend the proposed Tariff revisions accordingly on compliance, if the Commission deems necessary.[37] MISO also agrees with MISO South Regulators' requested clarification that interregional economic transmission projects terminating wholly outside of MISO will not automatically qualify as MISO Market Efficiency Projects unless those projects also satisfy MISO's Tariff criteria for a Market Efficiency Project. In addition, MISO agrees with MISO TOs' request that the Commission clarify that any order accepting the instant filing does not establish any precedent applicable to, or prejudge the consideration of, the appropriate cost allocation methods for interregional transmission projects after the Transition Period ends.[38] Finally, in response to MISO South Regulators' statements regarding the cost allocation method that would apply absent the proposed changes in Attachment FF-6, MISO reiterates that the instant filing is intended to fill a gap in Attachment FF-6. MISO states that if the Commission does not accept the proposed Tariff revisions, MISO will have to revisit this issue with stakeholders to develop an alternative solution to fill that gap.[39]

VI. <u>Deficiency Response</u>

24. In its February 13, 2017 Deficiency Response, MISO provided answers and clarifying edits to its proposal.

25. Among other things, the Deficiency Letter requested MISO to demonstrate that each of the separate proposed cost allocation methods for MISO's portion of the costs of interregional reliability, economic, and public policy-related transmission projects that terminate wholly outside of MISO are just and reasonable.[40] The Deficiency Letter also requested MISO to provide support more generally to demonstrate that it is just and

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[36] MISO South Regulators Answer at 1.

[37] *Id*. at 7.

[38] *Id*. at 8.

[39] *Id*.

[40] Deficiency Letter at 3-5.

reasonable to apply different cost allocation methods to MISO's portion of the costs of an interregional transmission project based solely on the location of the interregional transmission project.[41] MISO responded that the Commission has previously approved each of the cost allocation methods that MISO proposed, and therefore those methods are just and reasonable. In particular, MISO asserts that the proposed cost allocation methods ensure that the costs of the relevant transmission projects are allocated to entities within the two MISO planning areas in a manner that is roughly commensurate with the benefits received. MISO further provides that its proposal is limited to the remainder of the Transition Period, which ends in December 2018. Finally, MISO states that, if the Commission does not approve the proposal, then MISO does not intend to apply the non-Transition Period cost allocation methods under Attachment FF to interregional transmission projects that terminate wholly outside of MISO, and therefore will have to revisit this issue with its stakeholders.[42]

26. MISO also explains that using the non-Transition Period cost allocation methods in Attachment FF for interregional transmission projects that terminate wholly outside MISO would not align with the intent of Attachment FF-6.[43] Specifically, MISO states that, in the proceeding to approve Attachment FF-6, MISO and the MISO Transmission Owners explained that the proposed transition was necessary because the planning areas of the existing MISO footprint and the Second Planning Area had not been comparably planned through a common process based on common criteria.[44] MISO argues that because the systems had not been comparably planned, any regional allocation of costs across the combined First and Second Planning Area could result in one planning area subsidizing costs in another planning area when the transmission project did not provide footprint-wide benefits. In addition, MISO also asserts that the removal of the footprint-wide postage-stamp cost allocation during the Transition Period was a key component of the Second Planning Area's integration.[45]

[41] *Id*. at 5.

[42] Deficiency Response at 11.

[43] MISO Transmittal at 2.

[44] Deficiency Response at 9 (citing Nov. 28 2011, Transmittal Letter, Docket No. ER12-480, at 6).

[45] *Id.*

27. In the Deficiency Response, MISO also clarifies and proposes Tariff changes to make clear that: (1) the MTEP process applies to all interregional transmission projects;[46] (2) the proposed cost allocation methods apply to transmission projects "terminating" wholly outside of MISO;[47] and (3) the proposal does not address Cross Border Baseline Reliability Projects.[48] MISO also clarifies that a transmission project terminating wholly outside of MISO is one that does not interconnect to a transmission facility that MISO controls or operates.

28. In its protest of the Deficiency Response, New Orleans Council argues that the Commission should reject MISO's proposed cost allocation for sub-345 kV interregional economic transmission projects that terminate wholly outside of MISO and that qualify as Market Efficiency Projects.[49] New Orleans Council argues that MISO's own analysis shows that the proposal to allocate 100 percent of MISO's portion of the cost of an interregional economic transmission project below 345 kV to benefitting Local Resource Zones is not just and reasonable.[50] According to New Orleans Council, MISO's analysis to examine the distribution of adjusted production cost benefits for economic transmission projects with voltage levels below 345 kV found that, for sub-345 kV economic transmission projects, individual transmission owners within the benefitting Local Resource Zones may not always receive positive adjusted production cost benefits. Therefore, New Orleans Council argues, MISO should revisit the issue with stakeholders to develop an alternative solution.[51] New Orleans Council also requests confirmation that the interregional transmission projects "addressing economic issue(s)" selected by the MISO/SPP Joint Planning Committee are limited to those that qualify as Market Efficiency Projects in MISO, i.e., that will operate at voltages of 345 kV or higher.[52]

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[46] Deficiency Response at 2-3; MISO, FERC Electric Tariff, Attachment FF-6, § II.A (32.0.0).

[47] Deficiency Response at 3; MISO, FERC Electric Tariff, Attachment FF-6, § II.A (32.0.0).

[48] Deficiency Response at 4; MISO, FERC Electric Tariff, Attachment FF-6, § IV.A.2.c.i.a (32.0.0).

[49] New Orleans Council Limited Protest at 1.

[50] *Id*. at 4.

[51] *Id*. at 4-5.

[52] *Id*. at 5.

29. In its answer to New Orleans Council, MISO argues that the MISO cost allocation analysis that New Orleans Council references is not proposed for adoption in this proceeding, but is part of MISO's ongoing effort to review its cost allocation methods and determine if any changes are necessary at the conclusion of the Transition Period. MISO states that it is currently working with stakeholders to address issues of cost allocation going forward.[53] In addition, MISO confirms that the proposed cost allocation method for interregional economic transmission projects between MISO and SPP terminating wholly within SPP applies only to transmission projects that will operate at 345 kV or above.[54]

VII. Discussion

A. Procedural Matters

30. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2017), the notices of interventions and the timely, unopposed motions to intervene made the entities that filed them parties to this proceeding.

31. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2017), prohibits an answer to a protest unless otherwise ordered by the decisional authority. We accept the answers of MISO and MISO South Regulators because they have provided information that assisted us in our decision-making process.

B. Commission Determination

32. MISO has not shown that its proposed cost allocation methods for MISO's share of the costs of interregional reliability, economic, and public policy-related transmission projects that terminate wholly outside MISO are just and reasonable, and, therefore, we reject MISO's filing. MISO proposes here to create a subset of Multi-Value Projects and Market Efficiency Projects that it selects in its regional transmission plan for purposes of cost allocation but are ineligible to use the existing Transition Period Multi-Value Project or Market Efficiency Project regional cost allocation methods. Instead, MISO proposes to create different cost allocation methods for Market Efficiency Projects and Multi-Value Projects based on the physical location of those projects (i.e., whether they terminate wholly outside MISO or partly within MISO). This new subset of transmission projects – interregional transmission projects terminating wholly outside of MISO – must meet the same criteria and undergo the same analysis as any interregional transmission

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[53] MISO March 21 Answer at 5-6.

[54] *Id*. at 7.

project that terminates in whole or in part in MISO, and must be selected in the regional transmission plan for purposes of cost allocation the same as any other Multi-Value Project or Market Efficiency Project. However, under MISO's proposal, this subset of transmission projects will not be eligible to use the existing Transition Period Multi-Value Project or Market Efficiency Project regional cost allocation methods in Attachment FF-6 of the Tariff or the existing non-Transition Period Multi-Value Project and Market Efficiency Project cost allocation methods in Attachment FF of the Tariff.

33. Notwithstanding the fact that the Commission has determined that both of those categories of transmission projects provide regional benefits and are appropriately cost-allocated regionally, at least in part, MISO proposes to eliminate the regional cost allocation component for its share of Market Efficiency Projects and Multi-Value Projects that terminate wholly outside MISO. However, MISO provides no evidence or analysis to demonstrate that the benefits of interregional transmission projects that terminate wholly outside MISO and are selected in the regional transmission plan for purposes of cost allocation as Multi-Value Projects or Market Efficiency Projects accrue to a more narrow range of customers than the benefits of any other Multi-Value Project or Market Efficiency Project, including those that physically cross the seam between MISO and another transmission planning region. We find, therefore, that MISO has not demonstrated that its proposed cost allocation methods would allocate costs in a manner that is at least roughly commensurate with the benefits received.

34. MISO's contention that the Commission has, in other contexts, approved similar cost allocation methods is not sufficient, on its own, to satisfy MISO's burden under FPA section 205. In particular, we note that most of the proceedings to which MISO refers addressed *interregional* cost allocation methods. Here, however, MISO is not proposing an interregional cost allocation method; it is proposing *regional* cost allocation methods that it will use to allocate within MISO the portion of the costs of interregional transmission projects. MISO does not address this discrepancy or otherwise explain how the Commission's acceptance of certain interregional cost allocation methods support the justness and reasonableness of MISO's proposed regional cost allocation methods. For example, MISO proposes to rely solely on avoided costs to allocate within MISO its portion of the costs of an interregional public policy transmission project and references orders addressing MISO-SPP and MISO-PJM proposals to rely on avoided costs as an

interregional cost allocation method.[55] Although MISO is correct that the Commission has approved avoided cost-only *interregional* cost allocation methods in those proceedings,[56] and, we note, has accepted an avoided cost-only *regional* cost allocation method for reliability transmission projects in a transmission planning region that uses a different cost allocation method for economic, and public policy-related transmission projects, the Commission has not previously addressed whether a transmission planning region may use an avoided cost-only *regional* cost allocation method for public policy-related transmission projects.[57] This is consistent with the Commission's previous explanation that because Order No. 1000 has different requirements for regional transmission planning and interregional transmission coordination, a just and reasonable interregional cost allocation method may nevertheless be an unjust and unreasonable regional cost allocation method.[58] Accordingly, because MISO has not provided sufficient support to demonstrate that its proposal is just and reasonable, we reject MISO's proposed Tariff revisions.

35. In view of our rejection of MISO's filing, it is unnecessary for us to address New Orleans Council's and Generator Group's protests. We will also not address MISO South Regulators' request for clarification about which cost allocation methods will apply if the Commission rejects the instant filing. MISO states that it will revisit the issue with

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[55] Deficiency Response at 10-11 (citing *PJM Interconnection, L.L.C.*, 155 FERC ¶ 61,008 and *Midcontinent Indep. Sys. Operator, Inc.*, 154 FERC ¶ 61,075).

[56] *See Pub. Serv. Co. of Colorado*, 142 FERC ¶ 61,206, at PP 311-312 (2013) ("Because the transmission owners would otherwise have to propose new transmission facilities to meet the reliability need fulfilled by the transmission facilities selected in the regional transmission plan for purposes of cost allocation, the avoided cost approach appropriately reflects the beneficiaries of a reliability transmission project at the regional level.").

[57] The Commission has, however, determined that using a single avoided-cost only regional cost allocation method for a region that applies such method to all three types of transmission projects (reliability, economic, and public policy) does not comply with Order No. 1000. *See, e.g.*, *Tampa Elec. Co.*, 148 FERC ¶ 61,172, at PP 373-378 (2014) (concluding that the use of a single avoided cost method to allocate the costs of reliability, economic, and public policy-related transmission projects does not comply with the Order No. 1000 cost allocation principles); *Duke Energy Carolinas, LLC*, 147 FERC ¶ 61,241, at PP 449-452 (2014) (same).

[58] *See, e.g.*, *PJM Interconnection, L.L.C.*, 157 FERC ¶ 61,065, at PP 13-15 (2016); *PJM Interconnection, L.L.C.*, 155 FERC ¶ 61,008 at P 47; *Midcontinent Indep. Sys. Operator, Inc.*, 150 FERC ¶ 61,045, at PP 177-180 (2015).

stakeholders if its proposed cost allocation methods are rejected and we will afford MISO the opportunity to do so.

The Commission orders:

MISO's proposed Tariff revisions are hereby rejected, as discussed in the body of this order.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.