

be effective April 16, 2014, as requested, subject to refund and further Commission order.³

2. As discussed below, in this order, we address issues related to the Attachment Y Study and MISO's assessment of feasible alternatives, the costs under the White Pine SSR Agreement, MISO's modification of the Attachment Y-1 form agreement, the effective date, and the duration of the White Pine SSR Agreement. We also require MISO to submit a compliance filing in Docket No. ER14-1725-000 to revise the SSR cost allocation method under Rate Schedule 43H and direct MISO to provide refunds accordingly, as further described below.

I. Background

3. Under MISO's Tariff, market participants that have decided to retire or suspend a generation resource or SCU must submit a notice (Attachment Y Notice), pursuant to Attachment Y (Notification of Potential Resource/SCU Change of Status) of the Tariff, at least 26 weeks prior to the resource's retirement or suspension effective date. During this 26-week notice period, MISO will conduct a study (Attachment Y Study) to determine whether all or a portion of the resource's capacity is necessary to maintain system reliability, such that SSR status is justified. If so, and if MISO cannot identify an SSR alternative that can be implemented prior to the retirement or suspension effective date, then MISO and the market participant shall enter into an agreement, as provided in Attachment Y-1 (Standard Form SSR Agreement) of the Tariff, to ensure that the resource continues to operate, as needed.⁴

4. On July 25, 2012 in Docket No. ER12-2302-000, MISO submitted proposed Tariff revisions regarding the treatment of resources that submit Attachment Y Notices. On September 21, 2012, the Commission conditionally accepted MISO's proposed Tariff revisions effective September 24, 2012, subject to two compliance filings due within 90 and 180 days of the date of the order.⁵ The Commission reiterated that the evaluation of alternatives to an SSR designation is an important step that deserves the full consideration of MISO and its stakeholders to ensure that SSR agreements are used only

³ *Midcontinent Indep. Sys. Operator, Inc.*, 147 FERC ¶ 61,199 (2014) (June 13 Order).

⁴ *See Midwest Indep. Transmission Sys. Operator, Inc.*, 108 FERC ¶ 61,163, *order on reh'g*, 109 FERC ¶ 61,157 (2004).

⁵ *Midwest Indep. Transmission Sys. Operator, Inc.*, 140 FERC ¶ 61,237 (2012) (SSR Order), *order on compliance*, 148 FERC ¶ 61,056 (2014) (SSR Compliance Order).

as a limited, last-resort measure and required, among other things, that MISO document its process for identifying and screening SSR alternatives.⁶

II. MISO's Filings

5. On April 15, 2014, in Docket No. ER14-1724-000, MISO submitted the White Pine SSR Agreement to ensure the continued availability of White Pine Unit No. 1 as an SSR Unit.⁷ According to MISO, on October 15, 2013, White Pine submitted its Attachment Y Notice to MISO for retirement of White Pine Unit No. 1, beginning on April 16, 2014.⁸ MISO states that it notified White Pine on March 7, 2014 that White Pine Unit No. 1 would be designated as an SSR Unit. MISO states that it determined that the proposed retirement of White Pine Unit No. 1, without curtailment of load by means of demand response or other alternatives, would result in reliability violations.⁹ Consequently, MISO designated White Pine Unit No. 1 as an SSR Unit until such time as appropriate alternatives can be implemented to mitigate reliability issues.

6. MISO states that its analysis of the proposed alternatives identified no near term solutions that would fully address the reliability issues that are caused by the retirement of White Pine Unit No. 1.¹⁰ MISO notes that a transmission upgrade currently undergoing study would render SSR designation for White Pine Unit No. 1 unnecessary, but that the upgrade will not be ready until 2019 at the earliest.¹¹ MISO reports that it worked with White Pine and the MISO Independent Market Monitor to negotiate and

⁶ SSR Order, 140 FERC ¶ 61,237 at P 36.

⁷ White Pine Unit No. 1 is a generator turbine located in White Pine, Michigan within the footprint of the American Transmission Company, LLC (ATC) with a nameplate capacity of 20 MW.

⁸ MISO White Pine SSR Agreement Filing, Transmittal Letter, Docket No. ER14-1724-000, at 2 (filed Apr. 15, 2014) (White Pine SSR Agreement Filing).

⁹ Specifically, the study performed by MISO showed that the retirement of White Pine Unit No. 1 would cause violations of North American Electric Reliability Corporation (NERC) Reliability Standards under Category B (loss of a single element) and Category C (loss of two or more elements) contingencies. *See* White Pine SSR Agreement Filing, Ex. B (Attachment Y Study Report) at 16.

¹⁰ *Id.*, Transmittal Letter at 6-7.

¹¹ *Id.* at 7.

develop the White Pine SSR Agreement. According to MISO, White Pine submitted a draft agreement for MISO's consideration, and White Pine agreed to a 12-month term for the period between April 16, 2014 and April 15, 2015. MISO states that White Pine has agreed to continue operating White Pine Unit No. 1 on and after April 16, 2014.¹² MISO requested waiver of the prior notice requirement to allow the proposed White Pine SSR Agreement to go into effect on April 16, 2014.

7. In Docket No. ER14-1725-000, MISO submitted a proposed Rate Schedule 43H under its Tariff, which specifies the allocation of the costs associated with the continued operation of White Pine Unit No. 1 as an SSR Unit. MISO states that the proposed cost allocation of Rate Schedule 43H is consistent with section 38.2.7.k of MISO's Tariff, which requires that the costs associated with the White Pine SSR Agreement be allocated to all load-serving entities (LSEs) within the footprint of ATC on a *pro rata* basis. MISO proposes to allocate the SSR costs among all LSEs in the footprint of ATC based upon each entity's contribution to the peak of its Local Balancing Authority.¹³ MISO states that Rate Schedule 43H accomplishes this allocation based upon peak usage of transmission facilities in each month, as determined by each LSE's actual energy withdrawals during the monthly peak hour for each Local Balancing Authority. MISO requests waiver of the prior notice requirement to allow Rate Schedule 43H to go into effect on April 16, 2014 to correspond with the effective date of the White Pine SSR Agreement.

III. June 13 Order

8. On June 13, 2014, the Commission issued an order accepting the White Pine SSR Agreement and associated Rate Schedule 43H, suspending them for a nominal period, to be effective April 16, 2014, as requested, subject to refund and further Commission order.¹⁴ In that order, the Commission accepted the interventions, comments, and answers filed in that proceeding. In this further order, we address the arguments presented.

¹² *Id.* at 2.

¹³ MISO White Pine Rate Schedule 43H Filing, Transmittal Letter, Docket No. ER14-1725-000, at 3 (filed Apr. 15, 2013) (White Pine Rate Schedule 43H Filing).

¹⁴ June 13 Order, 147 FERC ¶ 61,199 at P 11.

IV. Discussion

A. White Pine SSR Agreement

1. Attachment Y Study and Assessment of Feasible Alternatives

a. Filing

9. MISO states that it conducted an Attachment Y Study in order to determine if designation of White Pine Unit No. 1 is necessary for transmission system reliability.¹⁵ MISO states that the assessment of feasible alternatives covered new generation, generation redispatch, system reconfiguration and operation guidelines, demand response and load control, and transmission projects.¹⁶ MISO used the 2014 and 2018 summer peak and shoulder peak models to analyze possible criteria violations, and evaluated contingencies in NERC Categories A, B, and C.¹⁷ According to MISO, the models showed that retirement of White Pine Unit No. 1 caused several NERC Category C overloads and also aggravated pre-existing NERC Category B overloads.¹⁸ MISO states that the 2014 summer peak analysis identified one voltage criteria violation due to a Category C event, and several voltage violations due to events involving a planned outage followed by a NERC Category B contingency. MISO further states that the 2018 shoulder analysis identified two pre-existing voltage violations due to events involving a planned outage followed by a NERC Category B contingency that would be aggravated by retirement of White Pine Unit No. 1. MISO found that voltage collapse could occur upon retirement of White Pine Unit No. 1 in shoulder load conditions due to a planned outage followed by a NERC Category B event.¹⁹ In addition, MISO found that a NERC Category C3 event during summer peak loads could lead to voltage collapse.

10. MISO states that it provided for an open stakeholder planning process to assess feasible alternatives to an SSR agreement.²⁰ MISO states that it held a West Technical

¹⁵ White Pine SSR Agreement Filing, Transmittal Letter at 6.

¹⁶ *Id.* at 6-7.

¹⁷ *Id.*, Ex. B (Attachment Y Study Report) at 5, 13.

¹⁸ *Id.* at 14.

¹⁹ *Id.* at 16.

²⁰ *Id.*, Transmittal Letter at 7.

Study Task Force stakeholder meeting on March 25, 2014 to review the reliability issues raised by retirement of White Pine Unit No. 1 and discuss feasible alternatives. According to MISO, the stakeholder discussions concluded that: (1) generation redispatch, system reconfiguration, special protection schemes, and/or operating guides would not fully address the reliability issues; (2) no new generation would be in commercial operation prior to the start of retirement; (3) demand response would not be practical as it would be required from several customers and would not be readily available; and (4) a transmission solution undergoing study, which would rebuild a 69 kV transmission line, could not be readied until 2019 at the earliest.²¹ MISO states that stakeholders also discussed the availability of another generating unit in the West Upper Peninsula (the Portage generator), but MISO asserts at the Portage generator has limited service life remaining and is designated for emergency-only use.²² MISO states that the limited number of starts available to the Portage generator, coupled with the potential for long run times during facility outages, would further decrease the life expectancy of the unit and reduce its availability for unplanned and forced outage events.²³ MISO concludes that White Pine Unit No. 1 will be required as an SSR Unit until completion of a transmission project to address the reliability issues caused by the unit's retirement.²⁴

b. Comments

11. Several parties express concern regarding MISO's evaluation of alternatives to the White Pine SSR Agreement. Wisconsin Public Service Corporation and Upper Peninsula Power Company (WPSC/UPPCo) state that the Attachment Y Study found that the absence of White Pine's generation, combined with planned outages during shoulder load conditions followed by certain NERC Category B contingencies, would lead to reliability issues.²⁵ However, WPSC/UPPCo state that the study did not find any transmission reliability issues during normal state (Category A) or single contingency (Category B) conditions if there are no planned outages during shoulder load conditions. According to WPSC/UPPCo, MISO fails to explain why there are no feasible options to reschedule planned outages, why these outages must take place during shoulder load conditions, and

²¹ *Id.*

²² *Id.*; Ex. B (Attachment Y Study Report) at 16.

²³ *Id.* at 15.

²⁴ *Id.* at 16.

²⁵ Protest of WPSC/UPPCo, Docket Nos. ER14-1724-000 and ER14-1725-000, at 6 (filed May 6, 2014) (WPSC/UPPCo Protest).

why ATC cannot modify its maintenance practices to reduce the length, degree, and number of these outages.²⁶ WPSC/UPPCo observe that a potential alternative could include whether ATC's maintenance practices can be modified to reduce the number of dispatch hours on which the annual revenue requirement of the SSR payment is based,²⁷ while Wisconsin Power and Light Company (Wisconsin Power) suggests coordination of transmission maintenance in ATC.²⁸ Madison Gas and Electric Company (Madison Gas) and WPSC/UPPCo further assert that the Attachment Y Study did not properly consider the use of 12 MW of load curtailment as an alternative to a NERC Category C3 event (although load curtailment was considered for a planned maintenance outage followed by a Category B violation), even though NERC permits the planned curtailment of load as an acceptable response to mitigate the Category C3 violation.²⁹

12. Wisconsin Electric Power Company (Wisconsin Electric) requests that the Commission require MISO to more fully analyze how it might use the Portage generator as a potential alternative to the White Pine SSR Agreement.³⁰ Wisconsin Electric notes that MISO ruled out the Portage generator primarily because the generator has limited service life remaining and is designated "Emergency," which makes the unit unavailable as a viable alternative to SSR service. Wisconsin Electric questions, however, if MISO evaluated whether it might be more cost-effective to upgrade the Portage unit for use during limited situations (such as planned outages combined with a forced transmission line outage) rather than designating White Pine Unit No. 1 as an SSR Unit.

13. Several commenters assert that MISO did not allow the stakeholders sufficient time to understand the reliability issues and evaluate potential alternatives.³¹ Wisconsin

²⁶ *Id.* at 7.

²⁷ *Id.* at 8.

²⁸ Comments of Wisconsin Power and Light Company, Docket Nos. ER14-1724-000 and ER14-1725-000, at 9 (filed May 6, 2014) (Wisconsin Power Comments).

²⁹ Comments of Madison Gas and Electric Company, Docket Nos. ER14-1724-000 and ER14-1725-000, at 5-6 (filed May 6, 2014) (Madison Gas Comments); WPSC/UPPCo Protest at 8 (citing White Pine SSR Agreement Filing, Ex. B (Attachment Y Study Report) at 16).

³⁰ Comments of Wisconsin Electric Power Company, Docket Nos. ER14-1724-000 and ER14-1725-000, at 3 (filed May 6, 2014) (Wisconsin Electric Comments).

³¹ WPSC/UPPCo Protest at 8; Wisconsin Electric Comments at 3; Wisconsin Power Comments at 7-8.

Power states that MISO took nearly five months to conduct its Attachment Y Study (from White Pine's October 15, 2013 submission of the Attachment Y Notice until MISO's March 7, 2014 notice of SSR designation to White Pine), but gave stakeholders less than three weeks to consider viable alternatives to the White Pine SSR Agreement.³²

Wisconsin Power argues that the limited review time made it difficult to provide meaningful feedback concerning potential alternatives. Commenters also state that MISO did not appear to allow sufficient time after the stakeholder process to meaningfully consider potential alternatives. Wisconsin Power states that MISO relied upon the single task force meeting with stakeholders on March 25, 2014 to conclude that there was no significant feedback regarding alternatives and confirm that the White Pine SSR designation was the best solution to mitigate thermal overloads. Given that MISO filed the White Pine SSR Agreement shortly thereafter on April 15, 2014, Wisconsin Electric asserts that MISO did not appear to have devoted much time for consideration of possible alternatives.³³

14. Wisconsin Power states that SSR agreements should be a measure of last resort, and they should not become the default mechanism to mitigate reliability issues because this can result in unnecessary and more costly solutions.³⁴ Wisconsin Power questions whether the White Pine SSR Agreement is the least-cost option to mitigate reliability issues. Wisconsin Power observes that, under the existing ATC cost allocation method, the White Pine SSR Agreement will cost ATC customers approximately \$4.7 million over the one-year agreement.³⁵ According to Wisconsin Power, if MISO and ATC determine that White Pine Unit No. 1 is required to run for multiple years, these costs will accumulate and be allocated to ratepayers for a unit that will likely only be needed in the shoulder months when ATC performs scheduled transmission line maintenance. Wisconsin Power questions the cost effectiveness of keeping a unit available all year when the unit is needed only a few weeks during the year.

c. Answers

³² Wisconsin Power Comments at 7. Wisconsin Power states that MISO notified its stakeholders through an OASIS posting on March 7, 2014 that White Pine Unit No. 1 would be designated as an SSR Unit, and held a task force meeting to discuss the designation on March 25, 2014.

³³ Wisconsin Electric Comments at 3.

³⁴ Wisconsin Power Comments at 8.

³⁵ *Id.* at 9.

15. MISO responds to arguments that it did not properly consider all potential alternatives. Regarding suggestions that MISO modify its maintenance practices, MISO states that it discussed maintenance scheduling with ATC to explore combining maintenance outage schedules to reduce the number of required outage events, but did not find this option to be a viable alternative to SSR designation.³⁶ MISO adds that the load profile in the studied area is relatively flat and does not provide opportunities to reschedule planned outages for the required maintenance.³⁷ According to MISO, the load levels studied in the shoulder periods are representative of the lighter load conditions during which maintenance can be reasonably accommodated; thus, the reliability issues were related to the constant load levels in the area that limit ATC's ability to perform necessary maintenance while meeting NERC standards without White Pine Unit No. 1 being available to provide mitigation.

16. With respect to arguments that MISO did not properly consider the availability of the Portage generator, MISO asserts that it discussed with the owners of the unit whether it could be used on a limited basis to cover outage events, but that the transmission maintenance needs were too extensive for the conditions of the unit.³⁸ Regarding arguments that load curtailment could be used to address a Category C3 event, MISO states that detailed evaluation of the Category C3 circumstance was not necessary because this contingency did not drive the need to designate White Pine Unit No. 1 as an SSR Unit. According to MISO, it reported on the Category C3 event for completeness, but the SSR designation for White Pine Unit No. 1 was based solely on the need to maintain operations such that maintenance on existing transmission lines is possible.³⁹ With respect to Wisconsin Power's concern regarding the cost effectiveness of maintaining year-round operation of White Pine Unit No. 1, MISO responds that "[t]he issue regarding an SSR designation is whether violations of applicable reliability standards would occur in the absence of the operation of the generator and SSR

³⁶ MISO Answer, Docket Nos. ER14-1724-000 and ER14-1725-000, at 5-6 (filed May 21, 2014).

³⁷ *Id.* at 6.

³⁸ *Id.*

³⁹ *Id.* at 7.

designation is a last-resort measure.”⁴⁰ MISO observes that the Commission has stated that the designation of units for reliability is not an economic test.⁴¹

17. WPSC/UPPCo answer that MISO stated in the Attachment Y Study Report that the White Pine SSR Agreement was necessary because ATC could not otherwise perform planned maintenance during shoulder load conditions, which MISO defined as 85 percent of peak load.⁴²

18. WPSC/UPPCo maintain that MISO has not explained how 85 percent of peak load represents shoulder load conditions in the western portion of the Upper Peninsula, the region of concern.⁴³ WPSC/UPPCo speculate that MISO may be examining the load profile of the entire Upper Peninsula, where 85 percent of peak load may represent the shoulder load condition due to the high load factor of mining operations. According to WPSC/UPPCo, however, the load profile for the entire Upper Peninsula is irrelevant for determining the need for the White Pine SSR Agreement because the only relevant region is the western half of the Upper Peninsula where White Pine Unit No. 1 is located. WPSC/UPPCo also provide 2013 data for load in the western half of the Upper Peninsula, which shows that load is at or above 85 percent of peak in the region for only a small fraction of the year. WPSC/UPPCo argue that, in fact, load in the region is less than 85 percent of peak load for 8500 hours of the year, and less than 65 percent for over half of the year, which would provide more than enough time for ATC to schedule maintenance without violating NERC Reliability Standards. WPSC/UPPCo add that, even assuming MISO was correct that load levels in the western portion of the Upper Peninsula are rarely less than 85 percent of peak load and do not allow ATC to reschedule planned maintenance, MISO has not responded to any of the suggestions that ATC modify its maintenance practices to reduce the length, degree, and frequency of planned system outages, and/or perform live-line maintenance without creating a transmission line outage.⁴⁴ WPSC/UPPCo state that there may be additional options, but MISO has not provided stakeholders sufficient time to suggest them.

⁴⁰ *Id.*

⁴¹ *Id.* at 5 (citing SSR Order, 140 FERC ¶ 61,237 at PP 136-139).

⁴² Limited Answer of WPSC/UPPCo, Docket Nos. ER14-1724-000 and ER14-1725-000, at 4 (filed May 30, 2014).

⁴³ *Id.* at 5.

⁴⁴ *Id.* at 6.

19. In response to WPSC/UPPCo's argument suggesting that actual load levels in the western half of the Upper Peninsula permit ATC to schedule maintenance without violating NERC standards, MISO states that the load curtailment analysis performed for the Attachment Y Study Report indicated that a load curtailment of 12 MW would be required to avoid thermal and voltage violations under planned outages and NERC Category B events without White Pine Unit No. 1 online.⁴⁵ According to MISO, load levels would therefore need to be approximately 67 percent of the projected 2014 peak in the local area to permit maintenance outages in the absence of White Pine Unit No. 1. MISO states that it studied the load pocket area around White Pine Unit No. 1, and while the data suggests hours where load is below the 67 percent of peak threshold, the periods of contiguous days needed to support multi-day outages are very limited. According to MISO, at load levels below 67 percent of peak, the intermittent run-of-the-river hydro generation in the area is not always available, which requires even lower loads to permit transmission line maintenance while the hydro generation is offline. Given the area load profile, MISO states that reasonable assurances cannot be made that maintenance schedules can be accommodated over an extended period of time.

20. MISO refutes WPSC/UPPCO's claim that it has not considered suggestions that ATC modify its maintenance practices. MISO asserts that it conducted a stakeholder outreach process and reviewed alternatives to the White Pine SSR Agreement, including a review of ATC's outage schedule to assess the potential use of "live-line" maintenance.⁴⁶ MISO maintains that its evaluations did not yield any feasible maintenance modifications or other alternatives to a White Pine SSR Agreement that would adequately preserve system reliability.

d. Commission Determination

21. We find that MISO has studied the proposed retirement of White Pine Unit No. 1 and determined that the unit is necessary for system reliability, and therefore, should be designated as an SSR Unit. We find that MISO has justified the need for the unit and has provided sufficient evidence demonstrating that it is necessary to mitigate NERC Category B and C contingencies required by NERC Reliability Standards TPL-002-0b (System Performance Following Loss of a Single Bulk Electric System Element (Category B)) and TPL-003-0a (System Performance Following Loss of Two or More

⁴⁵ MISO Additional Answer, Docket Nos. ER14-1724-000 and ER14-1725-000, at 4 (filed June 13, 2014).

⁴⁶ *Id.* at 5.

Bulk Electric System Elements (Category C)),⁴⁷ respectively, and that the unit will continue to be necessary until transmission upgrades can be put into service. As such, MISO has supported SSR designation for White Pine Unit No. 1 as a last resort measure to ensure reliability.⁴⁸

22. We accept MISO's explanation of its alternatives assessment. We find that MISO: (1) properly considered and ruled out the Portage generator as an alternative due to the condition of the generator; (2) adequately reviewed the potential for revised maintenance scheduling within ATC, but found that the load levels in the region would not permit such revisions; and (3) showed that it was not necessary to assess the potential for load curtailment to mitigate a Category C3 event because the Category C3 circumstance did not drive the need to designate White Pine Unit No. 1 as an SSR Unit.

23. Although we find that MISO has appropriately considered alternatives to SSR designation, we are concerned that MISO did not meet the timeline it proposed for processing Attachment Y Notices set forth in its compliance filing in response to the SSR Order,⁴⁹ which was accepted by the Commission.⁵⁰ Prior to the SSR Order, MISO's Tariff allowed up to 20 weeks after receipt of the Attachment Y Notice for MISO to complete the Attachment Y Study and 26 weeks to notify the participant of SSR status, which left only five weeks for: (1) publicly disclosing Attachment Y Study results; (2) identifying potential alternatives to signing an SSR agreement through the stakeholder process; and (3) if necessary, executing an SSR agreement, including negotiating SSR compensation and determining the allocation of SSR costs. The Commission found that five weeks was not sufficient time to accomplish these tasks, and required MISO to submit a revised Attachment Y review timeline.⁵¹ In MISO's compliance filing to the SSR Order, MISO proposed to use "reasonable efforts to respond to the Market Participant within 75 Calendar Days after receipt of the Attachment Y Notice, regarding whether the subject of an Attachment Y Notice appears to be required for transmission

⁴⁷ See N. Am. Elec. Reliability Corp., *Reliability Standards for the Bulk Electric Systems of North America* (July 26, 2013), available at: <http://www.nerc.com/pa/Stand/Reliability%20Standards%20Complete%20Set/RSCompleteSet.pdf>.

⁴⁸ SSR Order, 140 FERC ¶ 61,237 at PP 134-139.

⁴⁹ *Id.* P 35.

⁵⁰ SSR Compliance Order, 148 FERC ¶ 61,056 at PP 31-32.

⁵¹ SSR Order, 140 FERC ¶ 61,237 at PP 34-35.

system reliability....”⁵² In the order accepting this Tariff language, the Commission stated that:

[a]pplying this 75-day period would also allow MISO to lengthen the period for considering SSR alternatives and negotiating an SSR Agreement, if needed, from approximately five weeks to 14 weeks, which should alleviate concerns that the previous five-week period was too short.^[53]

The Commission also stated that the “reasonable efforts” standard is consistent with study milestones in other parts of the Tariff, and that in the event MISO’s reliability analysis is not complete within the 75-day initial review period, MISO would not be precluded from completing the stakeholder process to identify SSR alternatives during the remaining weeks of the 26-week notice period.⁵⁴

24. In the case of the White Pine SSR Agreement, MISO notified White Pine of its SSR status 143 days after White Pine’s October 15, 2013 submission of the Attachment Y Notice – nearly twice as long as the 75 days within which MISO stated it would make reasonable efforts to respond to an Attachment Y Notice in its compliance filing in Docket No. ER12-2302-001. Thus, MISO left only 39 days (roughly five and a half weeks) between the notification of White Pine’s SSR status on March 7, 2014 and the filing of the White Pine SSR Agreement on April 15, 2014, which is not much longer than the original five week period that the Commission found insufficient in the SSR Order. MISO held the stakeholder meeting to discuss alternatives to the SSR designation on March 25, 2014, allowing stakeholders only 18 days from the March 7, 2014 public notice of White Pine’s SSR designation to evaluate and propose alternatives. We encourage MISO to put greater emphasis on meeting its Tariff timelines to ensure that stakeholders are given sufficient time to evaluate and propose potential alternatives and to ensure that MISO has sufficient time to consider them. We note that section 38.2.7.c of the Tariff permits MISO to schedule subsequent stakeholder meetings as needed, and we encourage MISO to do so, as appropriate. We also note that in the SSR Compliance Order, the Commission required MISO to submit Tariff revisions in a compliance filing to ensure that, when MISO publicly discloses that a resource may qualify as an SSR Unit, MISO will also disclose the associated Attachment Y Study, subject to Critical Energy

⁵² MISO SSR Compliance Filing, Docket No. ER12-2302-001, at 4 (filed Dec. 18, 2012); MISO, FERC Electric Tariff, Module C, § 38.2.7.a (System Support Resources) (3.0.0).

⁵³ SSR Compliance Order, 148 FERC ¶ 61,056 at P 31 (footnotes omitted).

⁵⁴ *Id.* P 32.

Infrastructure Information limitations, in order to better enable MISO stakeholders to analyze the study and consider potential SSR alternatives.⁵⁵

2. SSR Cost Determination and Modification of Attachment Y-1 Form Agreement

a. Filing

25. MISO states that the White Pine SSR Agreement provides for recovery of both fixed and variable going-forward costs to maintain the availability of White Pine Unit No. 1 for reliability.⁵⁶ Under Exhibit 2 of the agreement, MISO will pay White Pine a fixed monthly payment of \$264,500.95 to compensate White Pine for maintaining the availability of the SSR Unit.⁵⁷ MISO asserts that this rate is just and reasonable and no more than is necessary to maintain the availability of the SSR Unit as long as needed for reliability. MISO notes that White Pine agreed to this amount in the interests of regulatory approval and certainty even though it felt that a higher level of compensation would be justified under the Tariff.

26. MISO states that this monthly payment is based on historical actual operating and maintenance costs for White Pine Unit No. 1 for the three-year period between 2011 and 2013, as well as the development of the operational and maintenance costs associated with continued operation of the SSR Unit under the one-year agreement.⁵⁸ The fixed cost amount includes the following cost components: (1) combined hourly operating, maintenance, and administrative labor; (2) operating and maintenance supplies; (3) general and administrative expenses; and (4) additional capital costs.⁵⁹ According to MISO, additional capital costs include the cost of repairs necessary to keep White Pine Unit No. 1 running after its anticipated retirement date and to maintain the unit's availability to provide reliability services. In addition to the fixed monthly payment, the White Pine SSR Agreement includes compensation for the costs of performing a turbine generator exciter overhaul, which MISO alleges is necessary both to maintain operating insurance for White Pine Unit No. 1 and to avoid the potential for a complete turbine

⁵⁵ *Id.* P 35.

⁵⁶ White Pine SSR Agreement Filing, Transmittal Letter at 6.

⁵⁷ *Id.* at 9.

⁵⁸ *Id.*, Ex. E (Walsh Aff.) at P 12.

⁵⁹ *Id.* PP 12-15.

failure.⁶⁰ MISO states that major turbine overhauls should occur every seven years, and the last overhaul of White Pine Unit No. 1 was completed in 2005. Exhibit 2 provides compensation for the overhaul through a payment of \$1,500,000, paid in six monthly installments of \$250,000.⁶¹ According to MISO, the \$1,500,000 cost estimate is based on White Pine's experience in the 2005 overhaul of the unit.⁶² The costs of the overhaul in excess of the \$1,500,000 will be treated as unanticipated repairs under section 9.E of the Attachment Y-1, and any amounts less than the full \$1,500,000 will be repaid to MISO.

27. MISO states that the White Pine SSR Agreement provides for variable generation costs when MISO dispatches an SSR Unit to maintain system reliability.⁶³ MISO states that the White Pine SSR Agreement contains equitable mechanisms to ensure that when the SSR Unit is dispatched, White Pine will not receive market revenues above variable generation costs.

28. MISO states that there are novel legal issues or other unique factors that justify departures from the *pro forma* SSR agreement contained in Attachment Y-1 to MISO's Tariff.⁶⁴ These changes to the *pro forma* agreement include: (1) new section 7.D states that, if the SSR Units are designated as Capacity Resources pursuant to Module E-1 of MISO's Tariff, those SSR Units will be subject to the Module E-1 capacity testing requirements that became effective on October 1, 2012;⁶⁵ (2) new section 7.E states that MISO and White Pine will coordinate their schedules to permit White Pine to undergo both testing for capacity and for other requirements (such as for environmental and

⁶⁰ *Id.* P 13.

⁶¹ *Id.*, Transmittal Letter at 3.

⁶² *Id.*, Ex. E (Walsh Aff.) at P 13.

⁶³ *Id.*, Transmittal Letter at 10.

⁶⁴ *Id.* at 3.

⁶⁵ Module E-1 of MISO's Tariff specifies MISO's resource adequacy requirement procedures. The Tariff requires LSEs in the MISO region to have sufficient Planning Resources to meet their anticipated peak demand requirements, plus an appropriate reserve margin. Capacity Resources are a type of Planning Resource that may be used by an LSE to account for the entity's resource performance and availability. MISO Resource Adequacy Business Practice Manual, BPM-011-r13 §§ 1.2, 2.2 (effective Jan. 1, 2014).

insurance requirements); (3) new section 9.D(7) clarifies that SSR payments are reduced if the Tested Capacity falls short of the SSR Capacity and if the SSR Units do not fully respond to MISO dispatches where the reductions are unexcused;⁶⁶ and (4) new provisions in section 9.E provide a mechanism for White Pine to receive cost recovery for unanticipated repairs required to maintain system reliability.⁶⁷

29. MISO further states that the operation provisions in section 8 have been revised to clarify maintenance, planning data, and delivery obligations to be consistent with other Tariff provisions. For instance, section 8.C has been revised to clarify that: (1) MISO shall notify White Pine of the hours and levels, if any, that the SSR Unit is to operate through day-ahead commitment and real-time dispatch for system reliability; and (2) all offers from the SSR Units during the term of the White Pine SSR Agreement shall be cost-based.⁶⁸ According to MISO, these changes ensure that MISO and White Pine have a common understanding of how the SSR Units are to be made available to MISO for system reliability and how the SSR Units may be otherwise operated.

b. Commission Determination

30. We find the SSR compensation proposed under the White Pine SSR Agreement to be just and reasonable and consistent with the Tariff. We note that the issue of SSR compensation was recently considered by the Commission in its order on the complaint submitted by AmerenEnergy Resources Generating Company. In that order, the Commission, among other things, required MISO to revise its Tariff to provide SSR owners the right to make their own SSR compensation filings under section 205 of the FPA, effective July 22, 2014.⁶⁹ As such, we note that White Pine could seek to make its

⁶⁶ Section 7.A(1) of Attachment Y-1 defines Tested Capacity as “[t]he capacity shown by [a one-hour performance test of the SSR Unit.]” Proposed section 1.E of Attachment Y-1 defines SSR Capacity as “the unit capabilities stated in Exhibit 1 if other than that stated in this Section.”

⁶⁷ White Pine SSR Agreement Filing, Transmittal Letter at 4-6. MISO states that it will make a filing under section 205 of the FPA before any unanticipated repair costs are incurred by White Pine, except in the case of emergency repairs.

⁶⁸ *Id.* at 4.

⁶⁹ *Midcontinent Indep. Sys. Operator, Inc.*, 148 FERC ¶ 61,057, at P 93 (2014) (Ameren Complaint Order).

own FPA section 205 filing to revise, prospectively, the compensation currently included in the White Pine SSR Agreement.

31. We find the proposed modifications to the Attachment Y-1 form agreement to be just and reasonable. We find that MISO has adequately clarified the type of additional compensation that might be requested for unanticipated repairs under section 9.E of the White Pine SSR Agreement, and we find this provision consistent with a similar provision accepted by the Commission.⁷⁰ However, we find that the language provided in section 9.E of the White Pine SSR Agreement could suggest that White Pine would be permanently exempted from being deemed to have had a misconduct event, or from incurring any performance penalty, even after the authorized repairs have been completed.⁷¹ Therefore, we require MISO, in a compliance filing due within 30 days of the date of this order, to submit Tariff revisions adding the following language to the penultimate sentence of the first paragraph of section 9.E:⁷²

Participant shall not be deemed to have a Misconduct Event, nor shall Participant be subject to any other performance penalties under this agreement or the MISO Tariff for the period of time after Participant notifies MISO of the need for repairs as provided in this Section 9.E until repairs have been completed.

32. We also find that Exhibit 2 of the Attachment Y-1 form agreement does not include any language relating to compensation when the SSR Unit operates for economic rather than reliability purposes. Therefore, we direct MISO, in the compliance filing to be made within 30 days of this order, to submit Tariff revisions adding the following paragraph to the end of Exhibit 2:⁷³

⁷⁰ *Midwest Indep. Transmission Sys. Operator, Inc.*, 144 FERC ¶ 61,151, at P 25 (2013).

⁷¹ Section 9.E of the White Pine SSR Agreement provides that if White Pine is required to engage in unanticipated repairs, it would not be deemed to have had a misconduct event or be subject to performance penalties after MISO is notified of the need for such repairs.

⁷² *See Ameren Complaint Order*, 148 FERC ¶ 61,057 at P 215.

⁷³ *See id.* P 157; MISO Edwards Year 1 SSR Agreement Filing, Docket No. ER13-1962-000, Ex. E (Attachment Y-1 Form Agreement, Ex. 2 § B) (filed July 11, 2013).

Whenever the SSR Units operates in the MISO Market for purposes other than system reliability, the SSR Unit will be committed, dispatched, and settled pursuant to the MISO Tariff, except in those hours where the SSR Unit Compensation is less than the SSR Unit Energy and Operating Reserve Credit. Under this exception, MISO will debit Participant (such debit to be equal to the difference between the SSR Unit Energy and Operating Reserve Credit and the SSR Unit Compensation).

3. Effective Date and Duration of the White Pine SSR Agreement Filing

a. Filing

33. MISO states that the White Pine SSR Agreement appears to be required until a transmission upgrade (currently planned for 2019) renders the SSR designation unnecessary.⁷⁴ However, in accordance with Section 38.2.7e of the Tariff, MISO proposes a term of 12 months. MISO states that it will annually review the SSR Unit and system characteristics to determine whether White Pine Unit No. 1 remains qualified for SSR status. MISO states that it may terminate the White Pine SSR Agreement on 90 days' notice in its sole discretion, so that customers will not have to pay the SSR costs for any longer than necessary to ensure reliability.⁷⁵

34. MISO requests that the Commission waive the prior notice requirement and grant an effective date of April 16, 2014 for the White Pine SSR Agreement.⁷⁶ MISO states that the White Pine SSR Agreement was submitted as soon as possible following the complex process of notification, evaluation, decision-making, and negotiation, including assessing the feasibility of possible alternatives to the designation of White Pine Unit No. 1 as an SSR Unit. MISO states that negotiation of the White Pine SSR Agreement could not be completed by earlier than the proposed effective date. According to MISO, good cause exists to grant the waiver because, if the April 16, 2014 effective date is not granted, White Pine will have provided SSR service on an uncompensated basis while the required Tariff process took its course.⁷⁷ Alternatively, MISO requests an effective date of April 16, 2014, consistent with the Commission's rule that service agreements must be

⁷⁴ White Pine SSR Agreement Filing, Transmittal Letter at 7.

⁷⁵ *Id.* at 10.

⁷⁶ *Id.* at 8.

⁷⁷ *Id.* at 9.

filed within 30 days of commencing service. MISO states that the White Pine SSR Agreement is a *pro forma* agreement included in the Tariff, the executed version of which is therefore a service agreement.⁷⁸

b. Commission Determination

35. In the June 13 Order, the Commission granted waiver of the prior notice requirement and allowed the proposed White Pine SSR Agreement to be effective April 16, 2014, as requested, for a term of 12 months.⁷⁹ As the Commission has previously explained, “all SSR units should be fully compensated for any costs incurred because of their extended service” and “nothing in the SSR program would require a generator to absorb any uncompensated going-forwards costs.”⁸⁰ Here, the record indicates that White Pine Unit No. 1 has been providing reliability service pursuant to the White Pine SSR Agreement since April 16, 2014. Thus, it is appropriate that White Pine be made whole for the costs it incurred while providing SSR service. However, we note that the circumstances surrounding the need for this SSR agreement indicate that White Pine Unit No. 1 may be needed after April 15, 2015. If MISO determines that White Pine Unit No. 1 is needed beyond April 15, 2015, MISO must file a revised SSR agreement with the Commission and must justify that no alternatives exist to designation of White Pine Unit No. 1 as an SSR unit.

B. Rate Schedule 43H

1. Filing

36. MISO proposes to allocate the SSR costs among all LSEs in the footprint of ATC on a *pro rata* basis, based upon each entity’s contribution to the peak of its Local Balancing Authority.⁸¹ MISO states that Rate Schedule 43H accomplishes this allocation

⁷⁸ MISO notes that 18 C.F.R. § 35.10(a) (2014) allows public utilities to adopt standard form of service agreements as part of the utility’s tariff on file with the Commission. MISO further states under 18 C.F.R § 35.3(a)(2) (2014), service agreements (defined at 18 C.F.R. § 35.2 (2014) as “an agreement that authorizes a customer to electric service under the terms of the Tariff”) need only be filed within 30 days after service has commenced.

⁷⁹ June 13 Order, 147 FERC ¶ 61,199 at P 11.

⁸⁰ *Midwest Indep. Transmission Sys. Operator, Inc.*, 142 FERC ¶ 61,170, at P 84 (2013).

⁸¹ White Pine Rate Schedule 43H Filing, Transmittal Letter at 3.

(continued...)

based upon peak usage of transmission facilities in each month, as determined by each LSE's actual energy withdrawals during the monthly peak hour for each Local Balancing Authority. In this way, MISO notes that the percentage of costs allocated to each LSE will vary each month based on the entity's coincident peak hour energy usage during that month. MISO states that the cost allocation in Schedule 43H is consistent with section 38.2.7.k of MISO's Tariff and with the allocation previously accepted by the Commission.⁸²

37. MISO requests waiver of the prior notice requirement to allow Rate Schedule 43H to go into effect on April 16, 2014, to correspond with the effective date of the White Pine SSR Agreement. MISO states that good cause exists to grant the waiver for the same reasons given in Docket No. ER14-724-000. In the June 13 Order, the Commission granted the requested waiver and allowed Rate Schedule 43H to go into effect on April 16, 2014.⁸³

2. Comments

38. Several commenters protest the allocation of White Pine SSR costs *pro rata* to all LSEs within the ATC footprint. They argue that allocating SSR costs to LSEs based simply upon their location in the ATC footprint, and not on whether they are electrically benefitted by the generator's SSR operations, is unjust, unreasonable, and unduly discriminatory because it does not satisfy the fundamental cost causation principle that all rates reflect to some degree the costs actually caused by the customer who pays them.⁸⁴ Madison Gas states that its local balancing area is 250 miles away from White Pine Unit No. 1, and it is unjust, unreasonable and unduly discriminatory to allocate White Pine SSR costs to Madison Gas without demonstrating that Madison Gas causes some amount of the costs that require the SSR designation or derives some direct benefit from that designation.⁸⁵ Wisconsin Power adds that the current ATC *pro rata* SSR cost allocation methodology in MISO's Tariff creates aberrant economic incentives because, when the

⁸² *Id.* at 2 (citing *Midcontinent Indep. Sys. Operator, Inc.*, 146 FERC ¶ 61,164, at P 8 (2014)).

⁸³ June 13 Order, 147 FERC ¶ 61,199 at P 11.

⁸⁴ Protest of the Public Service Commission of Wisconsin, Docket No. ER14-1725-000, at 4-7 (filed May 6, 2014) (Wisconsin Commission Protest); Wisconsin Power Comments at 5.

⁸⁵ Madison Gas Comments at 7.

LSEs that receive the reliability benefits from the continued operation of an SSR Unit do not bear the appropriate financial costs for the SSR, LSEs have no incentive to adopt more cost-effective solutions in lieu of an SSR agreement.⁸⁶

39. The Public Service Commission of Wisconsin (Wisconsin Commission) and Madison Gas state that there is no longer any reason for the continued presence of the ATC-specific *pro rata* SSR cost allocation provision in section 38.2.7.k of MISO's Tariff.⁸⁷ Madison Gas states that the utilities that formed ATC agreed to socialize among themselves certain transmission-related costs to create appropriate incentives for ATC to make transmission-related decisions. Madison Gas maintains, however, that this socialization of costs is not useful in the SSR context because the system-wide perspective the ATC provision is designed to promote does not come into play when the owner of a generation facility is considering the future of an unprofitable generation facility.

40. Several commenters note that the issue of *pro rata* SSR cost allocation in the ATC footprint is already pending before the Commission due to a complaint filed by the Wisconsin Commission in Docket No. EL14-34-000, which protests MISO's Tariff language and its application to the SSR agreement and the related Rate Schedule 43G that were filed by MISO for the Presque Isle Power Plant in Docket Nos. ER14-1242-000 and ER14-1243-000 (Wisconsin Commission Complaint).⁸⁸ They request that, while not delaying compensation to White Pine, the Commission make acceptance of the White Pine SSR Agreement and Rate Schedule 43H subject to the outcome of the Wisconsin Commission Complaint.⁸⁹ Wisconsin Power states that it supports the relief requested by the Wisconsin Commission Complaint, which would require MISO to remove the ATC *pro rata* SSR cost allocation methodology from its Tariff and apply its general SSR cost allocation methodology that would allocate White Pine SSR costs to the LSEs which require the operation of the SSR Unit for reliability purposes.⁹⁰

⁸⁶ Wisconsin Power Comments at 6.

⁸⁷ Wisconsin Commission Protest at 6; Madison Gas Comments at 6.

⁸⁸ Comments of WPPI Energy, Docket Nos. ER14-1724-000 and ER14-1725-000, at 4 (filed May 6, 2014); Wisconsin Commission Protest at 4. The Wisconsin Commission requests that the Commission incorporate by reference its complaint and supporting exhibits in Docket No. EL14-34-000.

⁸⁹ Wisconsin Commission Protest at 7.

⁹⁰ Wisconsin Power Comments at 5.

41. Other commenters express support for the ATC *pro rata* SSR cost allocation methodology used in Rate Schedule 43H. The Citizens Against Rate Excess maintain that this methodology meets the requirement that transmission costs must be roughly commensurate with benefits received, ensuring system reliability benefits all parties within the ATC footprint.⁹¹ They note that the ATC footprint is an area with special reliability concerns resulting from the low-voltage levels of the transmission lines, making transfers of power over long distances impractical and increasing the importance of local generation for local voltage support. The Citizens Against Rate Excess and WPSC/UPPCo state that the ATC *pro rata* SSR cost allocation methodology has already been accepted by the Commission as just and reasonable, comports with ATC's foundational principles to socialize transmission reliability costs, and is consistent with the legislation and agreements pursuant to which ATC was organized.⁹²

3. Answer

42. MISO observes that protests focus on the geographic scope over which MISO proposes to spread the cost of supporting the continuing operations of White Pine Unit No. 1, but no comments or protests suggest that MISO improperly applied the ATC-specific *pro rata* SSR cost allocation provision contained in section 38.2.7.k of its Tariff.⁹³ MISO states that it allocated costs associated with the White Pine SSR Agreement to the ATC footprint as required by the Tariff, and this provision is not appropriately at issue in these proceedings.

4. Commission Determination

43. In the June 13 Order, the Commission granted waiver of the prior notice requirement and made Rate Schedule 43H effective on April 16, 2014; however, in this further order, we direct MISO to submit a compliance filing that aligns cost allocation under Rate Schedule 43H with the Commission's order on the Wisconsin Commission Complaint in Docket No. EL14-34-000. In that order, the Commission found that: (1) the ATC *pro rata* SSR cost allocation provision in section 38.2.7.k of MISO's Tariff is not just and reasonable and should be removed from the Tariff; and (2) the general benefits-based SSR cost allocation method in section 38.2.7.k of MISO's Tariff, which requires MISO to allocate SSR costs to "the LSE(s) which require(s) the operation of the

⁹¹ Comments of the Citizens Against Rate Excess, Docket Nos. ER14-1724-000 and ER14-1725-000, at 4 (filed May 13, 2014).

⁹² *Id.*; WPSC/UPPCo Protest at 9.

⁹³ MISO Answer at 4.

SSR Unit for reliability purposes,” should be applied to the ATC footprint.⁹⁴ The Commission required MISO to revise the cost allocation in Rate Schedule 43G so that the Presque Isle SSR Unit costs were allocated according to the percentages in MISO’s final load-shed study directed in that proceeding, with such Tariff revisions effective the date that the Wisconsin Commission Complaint was filed, on April 3, 2014.⁹⁵

44. Consistent with the Wisconsin Commission Complaint Order, we direct MISO to conduct a load-shed study that identifies the LSEs which require the operation of White Pine Unit No. 1 for reliability purposes and submit this load-shed study in a compliance filing within 30 days of the date of this order. We also direct MISO to submit in the compliance filing Tariff revisions adjusting the SSR cost allocation under Rate Schedule 43H such that White Pine SSR costs are allocated in accordance with the load-shed study, with such revised cost allocation to be effective as of April 16, 2014.

45. Furthermore, in the Wisconsin Commission Complaint Order, the Commission exercised its broad equitable discretion in determining whether and how to apply remedies⁹⁶ and required MISO to refund any costs allocated to LSEs under Rate Schedule 43G from April 3, 2014 until the date of the Wisconsin Commission Complaint Order that were in excess of the costs to be allocated to those LSEs under MISO’s final load-shed study.⁹⁷ Based on the record in this proceeding, and consistent with our directive in the Wisconsin Commission Complaint Order, we similarly find it appropriate here to exercise our discretion in fashioning remedies and order refunds as of the effective date of Rate Schedule 43H and the White Pine SSR Agreement. Therefore, we direct MISO to refund, with interest,⁹⁸ any costs allocated to LSEs under Rate Schedule 43H from April 16, 2014 until the date of this order that were higher than the costs to be allocated to those LSEs according to the forthcoming load-shed study. We direct MISO to submit a refund report within 30 days after refunds are granted to affected customers.

The Commission orders:

⁹⁴ *Midcontinent Indep. Sys. Operator, Inc.*, 148 FERC ¶ 61,071, at P 66 (2014) (Wisconsin Commission Complaint Order).

⁹⁵ *Id.* PP 66, 118.

⁹⁶ *See Niagara Mohawk Power Corp. v. FPC*, 379 F.2d 153, 159 (D.C. Cir. 1967) (the Commission’s breadth of discretion is “at its zenith” when fashioning remedies).

⁹⁷ Wisconsin Commission Complaint Order, 148 FERC ¶ 61,071 at P 68.

⁹⁸ Interest should be calculated pursuant to 18 C.F.R. § 35.19a (2013).

(A) MISO is hereby directed to submit Tariff revisions and a load-shed study in a compliance filing due within 30 days of the date of this order, as discussed in the body of this order.

(B) MISO is hereby directed to make refunds to LSEs in the ATC footprint as necessary to give effect to the revised cost allocation in Rate Schedule 43H, as discussed in the body of this order.

(C) MISO is hereby directed to submit a refund report within 30 days after refunds are granted to affected customers, as discussed in the body of this order.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.