

151 FERC ¶ 61,190
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Norman C. Bay, Chairman;
Philip D. Moeller, Cheryl A. LaFleur,
Tony Clark, and Colette D. Honorable.

Midcontinent Independent System Operator, Inc. Docket No. ER15-1440-000
and Cleco Power LLC

ORDER CONDITIONALLY ACCEPTING JOINT PRICING ZONE AGREEMENT

(Issued June 1, 2015)

1. On April 2, 2015, pursuant to section 205 of the Federal Power Act (FPA),¹ and Part 35 of the Commission's regulations,² Midcontinent Independent System Operator, Inc. (MISO) and Cleco Power LLC (Cleco) submitted for filing an unexecuted Joint Pricing Zone Revenue Allocation Agreement (JPZ Agreement) between Cleco and the City of Alexandria, Louisiana (Alexandria) (collectively, the Parties), under the MISO Open Access Transmission, Energy and Operating Reserve Markets Tariff (Tariff).³ The JPZ Agreement provides for the allocation of revenues that MISO will distribute to the Cleco joint transmission pricing zone, designated as Zone 32 (Cleco Zone).⁴ For the reasons set forth below, we conditionally accept the JPZ Agreement, effective

¹ 16 U.S.C. § 824d (2012).

² 18 C.F.R. pt 35 (2014).

³ Midcontinent Independent System Operator, Inc., FERC Electric Tariff, MISO Rate Schedules, [Rate Schedule 45, Cleco-City of Alexandria Joint Pricing Zone Agreement, 31.0.0.](#)

⁴ The April 2 Filing explains that, while MISO is not a party to the JPZ Agreement, MISO filed the JPZ Agreement jointly with Cleco solely as the administrator of the MISO Tariff. The April 2 Filing also explains that, because the JPZ Agreement is only between Cleco and Alexandria, MISO does not have any obligations under the JPZ Agreement, is not responsible for administering the JPZ Agreement, and takes no position on the dispute between Cleco and Alexandria. Further, the April 2 Filing states that MISO takes no position on the substance of the filing and that MISO reserves the right to comment or protest.

December 1, 2014, as requested, subject to a compliance filing to be made within 30 days of the date of this order.

I. Background

2. Cleco states that it is engaged principally in the generation, purchase, transmission, distribution, and sale of electric energy in portions of north, central, south central, and southeast Louisiana. Cleco further states that it operates an integrated transmission system and is a fully integrated market participant and Transmission Owner (TO) in MISO, as of December 19, 2013.

3. Cleco states that Alexandria is a home rule charter municipality that owns and operates a not-for-profit electric utility system in order to provide the electric power necessary to serve its retail customers. Alexandria is a transmission customer and TO in MISO. Alexandria's electric system is connected to Cleco's and forms a part of the Cleco Zone.

4. Cleco states that, under the MISO Tariff, MISO collects transmission revenues for a transmission pricing zone and remits those revenues to a single TO (known as the "Designee" under the MISO Tariff) regardless of the number of TOs within that transmission pricing zone. Cleco is the Designee for the Cleco Zone. Section III.A.8 of Appendix C to the MISO Transmission Owners Agreement (TOA) provides that, where there is more than one TO in a zone, those TOs will "distribute such revenues pursuant to agreement of the Owners within the Zone."⁵ Cleco notes that Alexandria was approved to join MISO as a TO during the June 2014 MISO board meeting. On November 24, 2014, MISO filed revisions to Schedules 7, 8, and 9 of its Tariff to reflect the inclusion of Alexandria in the Cleco Zone, converting it to a joint transmission pricing zone.⁶ The Commission approved the revisions with the requested December 1, 2014 effective date.⁷

5. Cleco states that it and Alexandria engaged in good faith negotiations about the JPZ Agreement beginning in October, 2014, and came to substantial agreement on the terms and conditions of the JPZ Agreement.⁸ However, Cleco explains that one issue

⁵ MISO TOA at Appendix C, Section III.A.8.

⁶ *Midcontinent Indep. Sys. Operator, Inc.*, Docket No. ER15-466-000, "Revisions to Schedules 7, 8, and 9 to add City of Alexandria, Louisiana to Pricing Zone 32" (Nov. 24, 2014).

⁷ *Midcontinent Indep. Sys. Operator, Inc.*, Docket No. ER15-466-000 (Jan. 22, 2015) (unpublished letter order) (errata issued Feb. 23, 2015).

⁸ Transmittal at 3.

remains in dispute: the Parties were unable to agree on the amount of revenues to be allocated to Alexandria. The MISO TOA provides that “[i]f the Owners in a zone cannot agree to a methodology for distributing such revenues...the Owners may go to the FERC for resolution.”⁹ Cleco states that all other terms have been agreed upon, and Cleco informally agreed to request waiver of the prior notice requirements, and an effective date of December 1, 2014, to allow negotiations to continue in hopes of resolving the matter.

II. Filing

6. Cleco states that the proposed JPZ Agreement provides for the distribution of certain transmission revenues to TOs within the Cleco Zone.¹⁰ The transmission revenues include Point-to-Point Transmission Service charges billed and collected by MISO under Schedules 7 and 8 of the Tariff, and Network Integration Transmission Service charges billed and collected by Cleco on behalf of MISO under Schedule 9 of the Tariff.

7. Cleco explains that it and Alexandria have failed to come to an agreement regarding the percentage of revenues allocated to Alexandria.¹¹ Cleco believes that it should be required to provide to Alexandria only the revenues that MISO provides to Cleco on Alexandria’s behalf. Alexandria believes that Cleco should provide more – which, Cleco claims, in effect makes up the shortfall between Alexandria’s claimed total revenue requirements and the apparently lesser amount that MISO provides on Alexandria’s behalf. As such, the Parties do not agree on Section 3.3 of the JPZ Agreement – Calculation of Revenue Shares – and several related provisions. Cleco notes that, although it has suggested that Alexandria take this matter up with MISO, Alexandria instead prefers to try to resolve the matter via filing of the unexecuted JPZ Agreement.

8. Cleco states that Section 3.3 of the proposed JPZ Agreement provides that Cleco will determine Alexandria’s revenue share each month by multiplying Alexandria’s “Allocation Percentage” by the “Directly Assigned Revenue” for that month.¹² Cleco explains that Alexandria’s “Allocation Percentage” refers to Alexandria’s pro rata share of the Cleco Zone’s zonal revenue requirement based on inputs from Attachment O of the MISO Tariff and that “Directly Assigned Revenues” refers to “transmission revenues

⁹ MISO TOA at Appendix C, Section III.A.8.

¹⁰ Transmittal at 3.

¹¹ *Id.*

¹² *Id.*

collected by or on behalf of MISO and actually distributed by or on behalf of MISO to the Designee for the Cleco [Transmission Pricing Zone].” Accordingly, as proposed by Cleco, Alexandria will receive a percentage of revenues based on its pro rata share of the Cleco Zone revenue requirement (based on Attachment O calculations) that will reflect revenues actually received from MISO. Cleco asserts that this distribution mechanism is just and reasonable and should be accepted by the Commission.

9. Cleco states that it understands that Alexandria’s disagreement stems from Section 37.3a of the MISO Tariff.¹³ Cleco states that Section 37.3a exempts TOs serving bundled load from paying certain charges under the MISO Tariff. Cleco asserts that, to ensure that the TOs serving bundled load do not over-collect revenues from MISO because of this exemption, Section 37.3a provides that MISO will account for all exempted bundled load (“imputed revenues”) when determining the total MISO revenue requirement. Cleco explains that MISO does so by reducing the share of Schedule 9 revenues of any individual TO that utilizes the Section 37.3a exemption by the amount of imputed revenues attributable to that TO.

10. Cleco claims that it follows the bundled load exemption, and so MISO “imputes” a 61 percent share of Cleco’s revenue to bundled retail rates, and attributes an additional 21 percent to Cleco’s grandfathered agreements, meaning that MISO provides only 18 percent of Cleco’s revenue from collections under the MISO Tariff.¹⁴ Cleco is thus able to collect 100 percent of its revenue requirement between its retail and wholesale collections. Cleco asserts that the purpose of the imputed revenue provision is merely to ensure that a company such as Cleco does not double collect, through its FERC rate, revenue that has already been recovered through its retail rate.

11. Cleco claims that the complication arises because MISO applies the Cleco percentages to every TO in the Cleco Zone. Based on conversations with MISO staff, Cleco believes that when there is more than one TO in any given transmission pricing zone, each TO in the zone has the same “imputed” percentages as the TO appointed to receive the zonal distribution from MISO. As such, Cleco believes that MISO is only collecting approximately 18 percent of Alexandria’s revenue requirement, even though Alexandria, to Cleco’s knowledge, has not elected to follow the bundled retail exemption. Cleco concludes that MISO is not collecting about 82 percent of Alexandria’s revenue requirement, and so is not providing such amounts to Cleco for distribution to Alexandria. Yet Cleco stresses that there is no windfall to Cleco: between its wholesale and retail collections, Cleco collects only 100 percent of its revenue requirement.

¹³ *Id.* at 4.

¹⁴ *Id.*

12. Cleco asserts that Alexandria believes that Cleco should make up the shortfall between Alexandria's claimed revenue requirement and the portion of that revenue requirement that MISO remits to Cleco.¹⁵ Cleco believes that this will result in a cost shift from its bundled, base rate customers to Alexandria and will result in Cleco assuming 100 percent of the financial responsibility. Cleco concludes that, because it is not receiving the money that Alexandria wants from MISO, Alexandria must be expecting Cleco to come up with the money from another source. Cleco argues that the TOA directly forbids such cost shifts; Cleco quotes Section III.A.8 of Appendix C to the TOA, which states in part: "[a]n intra-Zonal revenue distribution methodology shall, to the greatest extent possible, minimize cost shifts so that the Owners shall continue to receive the revenues they would have received absent the formation of MISO."

13. Cleco hypothesizes that Alexandria's intent may be to read Section 37.3a of the MISO Tariff to require Cleco to raise retail rates solely for the purpose of paying for a portion of Alexandria's system.¹⁶ Cleco asserts that the language of Section III.A.8 of Appendix C to the TOA quoted above prohibits that argument as well: since Alexandria did not receive any revenue from Cleco's retail customers before the formation of MISO, Alexandria is not now entitled to receive such revenue as a result of the revenue sharing agreement.

14. Cleco further argues that Alexandria also has not made a case that Alexandria's system benefits Cleco's retail customers.¹⁷ Quoting Section 37.3a of the MISO Tariff, Cleco asserts that a TO like Cleco that invokes the bundled retail exemption is only required to "remain" responsible to pay for transmission "it receives within that pricing zone." Cleco asserts that Alexandria has never provided Cleco with transmission service or charged Cleco for such service, and therefore Cleco is not "receiv[ing]" service from Alexandria. Further, Cleco argues that even if it were receiving transmission service from Alexandria's facilities, the MISO Tariff only requires Cleco "remain obligated" to pay for transmission service it receives. Cleco asserts that because Cleco was not obligated to pay previously, there is nothing for it to "remain obligated" for.

¹⁵ *Id.*

¹⁶ *Id.* at 5.

¹⁷ *Id.*

15. Accordingly, Cleco concludes that both the TOA language about preserving revenue distribution and the “remain obligated” language of Section 37.3a of the MISO Tariff speak to preserving the status quo upon transition to MISO.¹⁸ Cleco argues that if Alexandria is unhappy with those provisions, Alexandria’s proper recourse is to seek to have them changed through a section 206 complaint. Cleco asserts that, at a minimum, if Alexandria wants to begin charging Cleco retail customers a rate for alleged use of its transmission system, Alexandria must show that Cleco retail customers do in fact use the Alexandria transmission system, and that the rate as applied to these customers for the first time will be just and reasonable. Cleco asserts that Alexandria cannot “back-door” a questionable interpretation of a revenue distribution mechanism into a de facto finding that Alexandria’s rate is just and reasonable as newly applied to Cleco retail customers. Cleco claims that nothing about the MISO filing to add Alexandria to the Cleco zone contemplated such a use of Alexandria’s rate.¹⁹

16. Cleco argues that even if it were appropriate for Alexandria to charge Alexandria’s wholesale rate to Cleco zonal customers, those charges should be effectuated directly through the MISO Tariff.²⁰ Cleco asserts that it is not at liberty to amend its retail rates to reflect costs of joining MISO.²¹ Cleco believes that any financial repercussions could be avoided if all of Alexandria’s wholesale revenue requirement is recovered through the MISO rate – whether through existing mechanisms or through a rider that is applicable to Cleco retail customers. Cleco argues that Alexandria should be required to take the issue up with MISO and that Alexandria’s attempt to solve its own revenue shortfall problem by shifting the problem to Cleco should be rejected.

17. To support its arguments, Cleco quotes the Commission’s order approving Section 37.3a of the MISO Tariff. Cleco asserts that the order plainly states that the purpose of Section 37.3a is to prevent TOs with bundled retail load from

receiv[ing] aggregate transmission revenues, those received directly from their bundled retail and [Grandfathered Agreement] customers, and those received indirectly from other [MISO Tariff] customers through the [MISO], that are proportionately greater than their revenue requirements. This

¹⁸ *Id.*

¹⁹ *Id.* at 5-6.

²⁰ *Id.* at 6.

²¹ *Id.* (citing Louisiana Public Service Commission, Docket No. U-32839, Order No. U-32839 at pp. 4-5 (Nov. 13, 2013)).

windfall would be at the expense of other [MISO] TOs without bundled retail load or significant [Grandfathered Agreement] load, who would receive aggregate revenues that are proportionately less than their revenue requirements.²²

18. Cleco asserts that under Cleco's proposal, Cleco breaks even and does not reap a windfall in the form of revenue proportionally greater than Cleco's revenue requirement. In contrast, Cleco argues that, under Alexandria's interpretation, Cleco would be forced to pay Alexandria even if Cleco does not recover what it pays. Cleco argues that such an interpretation could lead to Cleco receiving aggregate revenue that is proportionately less than Cleco's revenue requirement while Alexandria is made whole. Cleco asserts that the correct, common sense answer is that neither Cleco nor Alexandria should face a revenue shortfall.

19. As noted above, Cleco requests waiver of the Commission's prior notice requirement to permit the JPZ Agreement to become effective on December 1, 2014.²³ Cleco asserts that waiver is appropriate because it will permit Cleco to distribute revenues to Alexandria concurrently with the December 1, 2014 effective date to add Alexandria to Schedules 7, 8, and 9 of the MISO Tariff. Cleco explains that, without a JPZ Agreement in place, Cleco will have no mechanism to distribute revenues in accordance with Section III.A.8 of Attachment C to the TOA. Cleco also explains that no customers would be harmed if the Commission grants waiver because the JPZ Agreement does not impact rates and instead allocates revenue in the Cleco Zone between Cleco and Alexandria. Further, as described above, Cleco agreed informally to seek this waiver in order to permit settlement negotiations to continue. Cleco asserts that, notwithstanding that the negotiations ultimately were unsuccessful, Commission policy supports settlement attempts, and the Commission has granted waiver of prior notice in such contexts.

III. Notice of Filing and Responsive Pleadings

20. Notice of the April 2 Filing was published in the *Federal Register*, 80 Fed. Reg. 19,079 (2015), with interventions or protests due on or before April 23, 2015.

²² April 2 Filing at 6 (quoting *Midwest Independent Transmission System Operator, Inc. and the Transmission Owners of the Midwest Independent Transmission System Operator, Inc.*, 122 FERC ¶ 61,090, at P 46 (2008), *reh'g denied*, 136 FERC ¶ 61,099 (2011)).

²³ Transmittal at 1-2, 7 (citing 18 C.F.R. § 35.11 (2014); *Prior Notice and Filing Requirements Under Part II of the Federal Power Act*, 64 FERC ¶ 61,139, *order on reh'g*, 65 FERC ¶ 61,081 (1993)).

21. The NRG Companies,²⁴ MISO TOs,²⁵ and Missouri River Energy Services filed timely motions to intervene. MISO filed a timely motion to intervene and comments. Alexandria filed a timely motion to intervene and protest. The Louisiana Public Service Commission (Louisiana Commission) filed a notice of intervention.

IV. Discussion

A. Procedural Matters

22. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2014), the Louisiana Commission's notice of intervention and timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

²⁴ For purposes of their filing, the NRG Companies are NRG Power Marketing LLC (NRG PML) and GenOn Energy Management, LLC (GEM).

²⁵ For purposes of their filing, the MISO TOs consist of: Ameren Services Company, as agent for Union Electric Company d/b/a Ameren Missouri, Ameren Illinois Company d/b/a Ameren Illinois and Ameren Transmission Company of Illinois; American Transmission Company LLC; Arkansas Electric Cooperative Corporation; Big Rivers Electric Corporation; Central Minnesota Municipal Power Agency; City Water, Light & Power (Springfield, IL); Dairyland Power Cooperative; Duke Energy Business Services, LLC for Duke Energy Indiana, Inc.; East Texas Electric Cooperative; Entergy Arkansas, Inc.; Entergy Louisiana, LLC; Entergy Gulf States Louisiana, L.L.C.; 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 d/b/a ITCTransmission; 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.; South Mississippi Electric Power Association; Southern Illinois Power Cooperative; Southern Indiana Gas & Electric Company (d/b/a Vectren Energy Delivery of Indiana); Southern Minnesota Municipal Power Agency; Wabash Valley Power Association, Inc.; and Wolverine Power Supply Cooperative, Inc.

B. Substantive Matters

1. Protests and Comments

23. In its protest, Alexandria requests that the Commission accept the JPZ Agreement for filing, suspend it for a nominal period, permit it to become effective subject to refund on December 1, 2014, summarily reject Cleco's arguments, and order the modifications necessary²⁶ to make the JPZ Agreement just and reasonable and consistent with the MISO Tariff.²⁷ Alexandria states that, if the Commission declines to act summarily, it should set the matter for hearing. Alexandria further states that normally it would request that the Commission suspend the hearing process and send the matter to a settlement judge but that prior attempts to settle this matter have already failed.

24. Alexandria states that the proposed JPZ Agreement is manifestly unjust and unreasonable because it requires Cleco to pay nothing for its use of Alexandria's transmission facilities to serve Cleco's bundled retail load while requiring Alexandria to pay for its full load ratio share for use of Cleco's transmission facilities. Alexandria argues that Cleco's utilization of the bundled load exemption greatly reduces the amount of revenue available for distribution by MISO to the Cleco Zone.²⁸ Alexandria states, however, that, notwithstanding the right of a TO to utilize the bundled load exemption, "a TO located in a pricing zone or Local Balancing Authority Area with one or more other TOs shall remain obligated to pay for Transmission and/or Other Ancillary Services it receives within that pricing zone...."²⁹

²⁶ Alexandria attached a proposed JPZ Agreement to its protest that it states contains the modifications to be just and reasonable. Alexandria notes that the revenue allocation methodology it seeks within its proposed JPZ Agreement is consistent with several other joint pricing zone agreements within MISO which have been accepted by the Commission. Alexandria Protest at 8 (*citing Midcontinent Ind. Sys. Op., Inc.*, Docket No. ER14-1799-000, Letter Order (Jun. 23, 2014) (accepting FERC FPA Electric Rate Schedule 111-2nd Rev, MidAmerican Joint Pricing Zone Agreement); *Midcontinent Ind. Sys. Op., Inc.*, Docket No. ER14-1283-000, Letter Order (Mar. 21, 2014) (accepting MISO Rate Schedule No. 39, ETI-ETEC Joint Pricing Zone Agreement); *Midcontinent Ind. Sys. Op., Inc.*, Docket No. ER14-28-000, Letter Order (Nov. 21, 2013) (accepting MISO Rate Schedule No. 30, ITC Midwest Joint Pricing Zone Agreement).

²⁷ Alexandria Protest at 3.

²⁸ *Id.* at 2.

²⁹ *Id.* (quoting MISO Tariff at §37.3a).

25. Alexandria states that the proposed JPZ Agreement contains no provision to account for the fact that Cleco uses the “bundled load exemption” under Section 37.3 of the MISO Tariff.³⁰ Due to this exemption, MISO does not collect any revenue associated with the transmission service that Cleco takes under Schedules 7, 8, and 9 of the MISO Tariff to serve its bundled retail customers. The result is that the JPZ Agreement proposed by Cleco provides no revenue to Alexandria for service over Alexandria’s transmission facilities that Cleco takes under the MISO Tariff to serve Cleco’s bundled load customers. The lack of payment produces a significant revenue shortfall for Alexandria and denies Alexandria an opportunity to recover its MISO Attachment O transmission revenue requirement.³¹ Alexandria states that the principle that is embedded in the MISO Tariff and applicable Commission precedent is that TOs within MISO should be held harmless from another TO’s decision to utilize the MISO bundled load exemption.³²

26. Alexandria states that the JPZ Agreement must be modified to reflect the fact that Cleco’s use of the bundled load exemption harms Alexandria by reducing the amount of transmission revenues recovered under MISO rate schedules and available for MISO to distribute to the Cleco Zone.³³ Alexandria states that in its discussion with Cleco it proposed that the parties should impute additional revenues into the amount to be distributed under the JPZ Agreement, which would hold Alexandria harmless from Cleco’s decision to utilize the bundled load exemption and would provide Alexandria with the opportunity to recover its revenue requirement.³⁴

27. Alexandria disagrees with Cleco’s claim that an arrangement that imputes additional revenue is an attempt by Alexandria to shift its revenue requirement onto Cleco’s bundled base rate customers. According to Alexandria, a cost shift will only occur if Cleco is allowed to use the bundled load exemption to avoid paying its full load ratio share of the transmission service it takes in the Cleco Zone.³⁵ Alexandria also disagrees with Cleco’s claim that having to pay Alexandria for transmission service would result in Cleco receiving less than its revenue requirement. Alexandria states that

³⁰ *Id.* at 6.

³¹ *Id.*

³² *Id.* at 8.

³³ *Id.* at 9.

³⁴ *Id.* at 10.

³⁵ *Id.* at 11.

this claim suggests that a transmission provider does not fully recover the revenue requirement of the transmission service that it provides because it must pay for transmission service and other ancillary services. Alexandria asserts that this is false.³⁶ Alexandria states that if Cleco's retail customers are not paying enough for Cleco to recover what it pays, then Cleco can file a retail rate filing with the Louisiana Commission. Alexandria argues that Cleco should not be allowed to avoid paying for its obligations.

28. Alexandria states that Cleco's contention that there are no issues with Cleco's usage of the bundled load exemption (as long as Cleco does not double recover) is also false.³⁷ Alexandria claims that if the revenue allocated under the JPZ Agreement does not include any imputed revenue to account for Cleco's bundled retail sales, then there will be an impermissible cost-shift within the Cleco Zone. This cost shift would deny Alexandria an opportunity to recover its revenue requirement and provide Cleco a windfall because Cleco's bundled retail customers will not pay their load ratio share of Alexandria's revenue requirement.³⁸

29. Alexandria states that there is no obligation under the MISO Tariff that a TO demonstrate that load within the pricing zone benefits from any particular facility included in the zonal transmission rate. The MISO Tariff presumes that all of the transmission facilities in a transmission pricing zone benefit the entire load located in that pricing zone.³⁹ Alexandria argues that it is a point of fact that Cleco and Alexandria's facilities are integrated, power flows on the Cleco transmission system can and do flow on to Alexandria's transmission system, and Alexandria's construction of transmission on its system has obviated the need for transmission upgrades on Cleco's system. Furthermore, Alexandria states that Cleco's interpretation of the phrase "remain obligated" in Section 37.3 of the MISO Tariff is incorrect.⁴⁰ Alexandria believes that Cleco's interpretation is not consistent with the language in MISO's Tariff and would propagate cost shifts by permitting TOs to avoid paying for their use of other TOs' facilities, would make it impossible for new TOs to recover their revenue requirement upon integration into MISO, and would stifle investment within joint pricing zones.

³⁶ *Id.*

³⁷ *Id.* at 12.

³⁸ *Id.* at 13.

³⁹ *Id.* at 14.

⁴⁰ *Id.* at 15.

30. Alexandria also disagrees with Cleco's claim that if Alexandria intends to show that Cleco retail customers should be subject to Alexandria's rate, Alexandria must make an additional filing with the Commission.⁴¹ Alexandria states that it has adopted the *pro forma* Attachment O, which does not require any additional filings to implement. Alexandria states that MISO has already made an independent determination that Alexandria's facilities belong in the Cleco Zone, and therefore the costs of those facilities can be recovered from MISO Tariff customers.

31. Alexandria points out that, although Cleco contends that it cannot increase its retail rates,⁴² the order from the Louisiana Commission makes no determination concerning Cleco's rights to increase retail rates in a future proceeding to recover any increased transmission charges associated with its participation in MISO.⁴³ Furthermore, Alexandria states that the Commission has exclusive jurisdiction to determine what rate Cleco should pay for services under a FERC-filed rate schedule for transmission service.

32. In MISO's comments, MISO reiterates that MISO does not have any obligations under the JPZ Agreement, is not responsible for administering the JPZ Agreement, and takes no position on the dispute between Cleco and Alexandria. However, MISO explains that it has a unique interest in ensuring that the record reflects clearly MISO's obligations under the TOA and Tariff and that it provides an accurate description of MISO's processes. Accordingly, MISO provides limited clarification with respect to statements made by Cleco in the April 2 Filing regarding MISO's treatment of Alexandria's revenue requirement in the zonal rate calculation, in particular with respect to the bundled retail exemption and revenue due to Alexandria.

33. MISO explains, *inter alia*, that the TOA provides that it is the responsibility of the TOs within a joint pricing zone to appoint a single TO or designee (the Host)⁴⁴ to receive revenues allocated to the zone as a whole, and the TOs are also responsible for determining the method for distributing such revenues. MISO also explains that it collects and distributes to the Host all revenue that is due for the joint pricing zone.

⁴¹ *Id.* at 16.

⁴² Transmittal at 6 (citing Docket No. U-32839 In re: Application of Cleco Power LLC Requesting: (i) Approvals Addressing Certain Implementation and Integration Issues Regarding Cleco Power, LLC Joining the Midcontinent Independent System Operator, Inc.; and (ii) Expedited Treatment, Order No. U-32839 (2013)).

⁴³ Alexandria Protest at 18.

⁴⁴ MISO's use of the term "Host" appears analogous to Cleco's use of the term "Designee."

MISO notes that the revenue due for a zone is based on the total load reported by the Host TO within that zone, minus load that is subject to a bundled load exemption, and is multiplied by the applicable zonal transmission rate.

34. MISO explains that a TO is not guaranteed to collect 100 percent of its revenue requirement that is associated with wholesale sales. MISO notes that the distributed wholesale revenue is calculated using the combined revenue requirements provided by the TOs, but the revenue is based on actual reported load (minus load that is subject to a bundled load exemption) and may, therefore, be less than or greater than the estimated load that was used to calculate the transmission rates for the pricing zone. MISO also explains that it does not account for different revenue allocation methodologies for individual TOs within a joint pricing zone; rather, the calculated revenue is simply paid to the Host to be distributed pursuant to agreement between the TOs in the zone.

35. Finally, MISO states that the Parties have negotiated in good faith and have come to substantial agreement on the terms and conditions of the JPZ Agreement except for the issue of the amount of revenue to be allocated to Alexandria. MISO asserts that the unexecuted JPZ Agreement is properly before the Commission for resolution of this issue.

2. Commission Determination

36. We conditionally accept the JPZ Agreement, effective December 1, 2014, as requested, subject to Cleco, and MISO as tariff administrator, making a compliance filing with a revised revenue distribution mechanism that abides by the language of MISO's Tariff, particularly Section 37.3a and Schedule 9.

37. Section 37.3a of the MISO Tariff provides, in relevant part:

Bundled Load: Transmission Owners and ITC Participants taking Network Integration Transmission Service to serve their Bundled Load shall not pay charges pursuant to Schedules 1, 3 through 6 and Schedule 9. . . . Notwithstanding the foregoing in this Section 37.3.a, the following rules apply in instances in which there are multiple Transmission Owners within a pricing zone or Local Balancing Authority Area. Specifically, a Transmission Owner located in a pricing zone or Local Balancing Authority Area with one or more other Transmission Owners shall remain obligated to pay for Transmission and/or Other Ancillary Services it receives within that pricing zone or Local Balancing Authority Area that it does not provide itself unless the transmission and/or ancillary services are provided pursuant to a Grandfathered Agreement.

Schedule 9 of the MISO Tariff provides, "The Transmission Customer taking Network Integration Transmission Service shall pay the firm monthly zonal rate or a monthly

demand charge, as applicable, for the zone based upon where the load is physically located.” The provisions of Section 37.3a and Schedule 9 of the MISO Tariff provide that a TO is exempt from paying Schedule 9 charges for network integration service for its bundled retail load unless the TO requires transmission services from another TO, in which case it must pay for those services. We disagree with Cleco’s argument that, because it was not previously obligated to pay Alexandria for transmission service, it should not have to pay for transmission service now. Agreeing with Cleco’s interpretation of “remain” would result in Cleco not paying for transmission service it receives, which would violate the requirement in Section 37.3a of the MISO Tariff that a TO pay for services that it does not provide itself, and would violate the MISO TOA’s provision that load pay the rates for the area in which it is located. We agree with Alexandria that the language in Section 37.3a stating that a Transmission Owner shall remain obligated to pay for services it receives specifically contemplates that a TO will pay for transmission service it receives in a joint pricing zone, that it does not provide itself, regardless of whether the TO were billed for such service in the past. Therefore, we find that Cleco’s proposed JPZ Agreement is inconsistent with Section 37.3a and Schedule 9 of the MISO Tariff because it exempts Cleco from paying for transmission services it receives from Alexandria for transmission service Cleco takes to serve its bundled load in the Cleco Zone.

38. Given the language of Section 37.3a of the MISO Tariff, we reject Cleco’s claim that requiring Cleco to pay for the transmission services it receives from Alexandria would amount to a cost shift forbidden under Section III.A.8 of Appendix C of the TOA.⁴⁵ Moreover, the TOA provision states that the revenue distribution methodology shall minimize cost shifts, not forbid them. Accordingly, we direct Cleco, and MISO as tariff administrator, to file, within 30 days of the date of this order, a revised revenue distribution mechanism that is consistent with Section 37.3a and Schedule 9 of the MISO Tariff, and properly reflects Cleco’s responsibility to pay Alexandria for the Alexandria portion of the Cleco Zonal rate for transmission service Cleco takes to serve its bundled load in the Cleco Zone. We disagree with Cleco’s suggestion that changes to the MISO Tariff or MISO’s billing practices are necessary to address Alexandria’s revenue shortfall problem. Section 37.3a and Schedule 9 of the MISO Tariff clearly provide that Cleco is responsible for paying Alexandria for the Alexandria portion of the Cleco Zonal rate for transmission service Cleco takes to serve its bundled load in the Cleco Zone, and the revisions we are ordering to the revenue distribution mechanism will merely implement these Commission-approved Tariff provisions.

⁴⁵ See Transmittal at 4.

The Commission orders:

(A) The JPZ Agreement is hereby conditionally accepted, effective December 1, 2014, as requested, as discussed in the body of this order.

(B) Cleco, and MISO as tariff administrator, are hereby directed to make a compliance filing within 30 days of the date of this order, as discussed in the body of this order.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.