152 FERC ¶ 61,019
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. and Dairyland Power Cooperative — Docket No. ER15-1689-000

ORDER ON TRANSMISSION RATE INCENTIVES

(Issued July 7, 2015)

1. On May 8, 2015, pursuant to sections 205 and 219 of the Federal Power Act (FPA)[1] and Part 35 of the Commission's regulations,[2] Midcontinent Independent System Operator, Inc. (MISO) and Dairyland Power Cooperative (Dairyland) filed a request for certain transmission incentive rate treatments to facilitate its participation in the Badger-Coulee transmission line project (Badger-Coulee Project). Dairyland also requests authorization to amend its Attachments O-DPC and GG-DPC and proposes a new Attachment MM-DPC to the MISO Open Access Transmission, Energy and Operating Reserve Markets Tariff (Tariff) to implement the requested incentives. Dairyland requests that the Commission grant its request for the following incentive rate treatments under Order No. 679:[3] (1) a hypothetical capital structure of 40 percent equity and 60 percent debt, and (2) authorization to recover 100 percent of prudently incurred costs if the Badger-Coulee Project is abandoned or cancelled due to factors beyond Dairyland's control (Abandoned Plant Recovery). As discussed below, we grant Dairyland's

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[1] 16 U.S.C. §§ 824s, 824d (2012).

[2] 18 C.F.R. Pt. 35 (2014).

[3] *Promoting Transmission Investment through Pricing Reform*, Order No. 679, FERC Stats. & Regs. ¶ 31,222 (2006), *order on reh'g*, Order No. 679-A, FERC Stats. & Regs. ¶ 31,236, *order on reh'g*, 119 FERC ¶ 61,062 (2007). The Commission provided additional guidance regarding the application of its transmission incentive policies in *Promoting Transmission Investment Through Pricing Reform*, 141 FERC ¶ 61,129 (2012) (2012 Incentives Policy Statement).

requested incentive rate treatments and accept Dairyland's revised Attachments O-DPC and GG-DPC and proposed Attachment MM-DPC.

I. Background

A. Description of Dairyland

2. Dairyland states that it is a non-stock, not-for-profit Wisconsin generation and transmission cooperative headquartered in La Crosse, Wisconsin. Dairyland states that it is not subject to the rate-making jurisdiction of the Commission. Dairyland is owned by and provides the wholesale power requirements for 25 separate distribution cooperatives in southern Minnesota, western Wisconsin, northern Iowa, and northern Illinois. Dairyland has all-requirements contracts extending through 2055 with its member distribution cooperatives. Dairyland's 25 member distribution cooperatives serve approximately 256,000 member customers. Dairyland is a MISO market participant and has been a MISO transmission owning member since 2010. In its capacity as a MISO transmission owner, Dairyland recovers its annual transmission revenue requirement under Attachment O-DPC to the MISO Tariff.[4]

B. Description of the Badger-Coulee Project

3. The Badger-Coulee Project is a proposed 345 kilovolt (kV) MISO Multi-Value Project (MVP) from La Crosse, Wisconsin to Madison, Wisconsin, consisting of approximately 180 miles of transmission line depending on final state commission approval. The Badger-Coulee Project addresses a number of electric system issues locally and in the Midwest. Dairyland states that the project will improve the ability to move lower cost power from the west into Wisconsin, thereby reducing wholesale electricity prices and potentially allowing utilities to pass savings onto customers. Dairyland states that the project will offset the need for approximately \$160 - \$180 million in upgrades to lower voltage lines and will increase reliability of the transmission grid. Additionally, Dairyland states that the project supports renewable energy policy by connecting renewable wind resources in the west with load centers in the east. The Badger-Coulee Project was included and approved by the MISO Board of Directors, in MISO's 2011 Transmission Expansion Plan (MTEP), a regional transmission planning process overseen by MISO, as an MVP.[5]

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[4] Dairyland May 8, 2015 Filing at 2 (Filing). Dairyland states that MISO joins this filing as the administrator of the MISO Tariff, but MISO takes no position on the substance of the filing.

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

4. Dairyland states that the owners and their expected ownership percentages of the Badger-Coulee Project include: American Transmission Company LLC (50 percent ownership), Northern States Power Company, a Wisconsin corporation (37 percent ownership), SMMPA Wisconsin LLC, a wholly-owned subsidiary of Southern Minnesota Municipal Power Agency (6.5 percent ownership), Dairyland (5 percent ownership), and WPPI Energy (1.5 percent ownership). Dairyland states that the participants are currently negotiating the definitive project agreements. If the terms of the agreements are acceptable to Dairyland, and the required regulatory approvals and permits are obtained, Dairyland intends to invest in the Badger-Coulee Project. Dairyland states that American Transmission Company LLC and Northern States Power Company, a Wisconsin corporation will each have a 50 percent vote in matters related to the Badger-Coulee Project.[6]

5. Dairyland further states that the estimated total cost of the Badger-Coulee Project is $580 million. Dairyland explains that its expected investment in the Badger-Coulee Project is expected to be roughly $25 million, about 8.2 percent of its approximately $305 million projected net transmission plant in 2015.[7]

6. Dairyland states that the Badger-Coulee Project will make use of advanced technologies, transmission structures of tubular steel monopoles and H-frames that reduce structure footprints. Dairyland states that each 345 kV phase will be vertically bundled, twisted-pair, 477 Hawk ACSR conductor to help control conductor motion. Dairyland states that one of the two shield wires will be an Optical Fiber Composite Overhead Ground Wire, containing 48 optical fibers for communications. Additionally, Dairyland states that the substations will use advanced technologies including microprocessor-based protective relays.

C. <u>Request for Incentives</u>

7. Dairyland states that it requests the following incentive rate treatments under Order No. 679: (1) a hypothetical capital structure of 40 percent equity and 60 percent debt for the life of the Badger-Coulee Project financing, and (2) pursuant to a subsequent filing under section 205 of the FPA, Abandoned Plant Recovery. Dairyland states that it is not seeking recovery of prudently-incurred Construction Work in Progress or an incentive return on equity adder at this time.[8]

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[6] *Id.* at 4.

[7] *Id.* at 11, 19 (citing Ex. DPC-19 (Testimony of James Pardikes) at 16-17, 36, 37 (Pardikes Test.)).

[8] *Id.* at 4, 9.

D. Request for Waivers

8. Dairyland requests waiver of the requirements of 18 C.F.R. § 35.13(d) (2014) regarding Period I and Period II cost data to the extent it is deemed applicable in this filing. Dairyland also requests waiver of any requirements of the Commission's rules and regulations, as well as any authorization as may be necessary or required, to permit Dairyland's proposed tariff revisions to be accepted by the Commission and made effective in the manner proposed. Dairyland states that, since it is proposing changes to the implementation of its formula rates rather than requesting a change to or increase in a stated rate, and Dairyland is not subject to the general rate regulations of the Commission, any necessary waiver of these provisions is appropriate and should be granted.

9. Dairyland also requests waiver of the service requirements set forth in Rule 2010 of the Commission's Rules of Practice and Procedure,[9] to the extent such waiver is deemed necessary.

II. Notice of Filing and Responsive Pleadings

10. Notice of Dairyland's filing was published in the *Federal Register*, 80 Fed. Reg. 27,946 (2015), with interventions and protests due on or before May 29, 2015. American Transmission Company LLC and WPPI Energy filed timely motions to intervene.

III. Discussion

A. Procedural Matters

11. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2014), the timely, unopposed motions to intervene serve to make American Transmission Company LLC and WPPI Energy parties to this proceeding.

B. Substantive Matters

1. Requests for Incentives

a. Section 219 Requirement

12. In the Energy Policy Act of 2005,[10] Congress added section 219 to the FPA, directing the Commission to establish, by rule, incentive-based rate treatments to promote

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[9] 18 C.F.R. § 385.2010 (2014).

[10] Pub. L. No. 109-58, § 1241, 119 Stat. 594 (2005).

capital investment in electric transmission infrastructure. The Commission subsequently issued Order No. 679, which sets forth processes by which a public utility may seek transmission rate incentives pursuant to section 219, including the incentives requested here by Dairyland. Additionally, in November 2012, the Commission issued a Policy Statement providing additional guidance regarding its evaluation of applications for transmission rate incentives under section 219 and Order No. 679.[11]

13. Pursuant to Order No. 679, an applicant may seek to obtain incentive rate treatment for transmission infrastructure investment that satisfies the requirements of section 219, i.e., the applicant must show that "the facilities for which it seeks incentives either ensure reliability or reduce the cost of delivered power by reducing transmission congestion."[12] Order No. 679 established a process for an applicant to follow to demonstrate that it meets this standard, including a rebuttable presumption that the standard is met if (1) the transmission project results from a fair and open regional planning process that considers and evaluates projects for reliability or congestion and is found to be acceptable to the Commission, or (2) a project has received construction approval from an appropriate state commission or state siting authority.[13] Order No. 679-A clarified the operation of this rebuttable presumption by noting that the authorities or processes on which it is based (i.e., a regional planning process, a state commission, or siting authority) must, in fact, consider whether the project ensures reliability or reduces the cost of delivered power by reducing congestion.[14]

14. Dairyland argues that the Badger-Coulee Project qualifies for the rebuttable presumption under section 219 because the project was approved in the MTEP Regional Planning Process.[15] Dairyland notes that the Badger-Coulee Project obtained the MISO Board of Directors' approval in the 2011 MTEP as an MVP and that MVP projects approved in the 2011 MTEP satisfy Criterion 1 of MISO's MTEP analysis. Dairyland asserts that the MTEP process meets the Commission criteria for applying the rebuttable presumption where a transmission project results "from a fair and open regional planning

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[11] 2012 Incentives Policy Statement, *supra* note 3.

[12] Order No. 679, FERC Stats. & Regs. ¶ 31,222 at P 76.

[13] *Id*.

[14] Order No. 679-A, FERC Stats. & Regs. ¶ 31,236 at P 49.

[15] Filing at 6.

process that considers and evaluates projects for reliability and/or congestion and is found to be acceptable to the Commission."[16]

15. Dairyland contends that the Badger-Coulee Project also qualifies for the rebuttable presumption because the Public Service Commission of Wisconsin (Wisconsin Commission) approved the Badger-Coulee Project's Certificate of Public Convenience and Necessity (CPCN). Dairyland states that the CPCN addresses the need for the Badger-Coulee Project, the route of the project, and the effect on local and regional reliability, in an open, on-the-record process.[17] Dairyland states that the Commission has previously found that the Wisconsin Commission's CPCN process satisfies the rebuttable presumption.[18]

16. The Commission has previously found that projects approved as MVPs under Criterion 1 are entitled to the rebuttable presumption established under Order No. 679.[19] In this case, the Badger-Coulee Project received approval through the MTEP process and the MISO Board of Directors approved the Badger-Coulee Project under Criterion 1 as part of the January 10, 2012 MVP Report. Therefore, we find that the Badger-Coulee Project is entitled to the rebuttable presumption that it meets the section 219 requirement.

b. <u>Nexus Requirement</u>

17. In addition to satisfying the section 219 requirement of ensuring reliability or reducing the cost of delivered power by reducing congestion, Order No. 679 requires an

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[16] *Id.* at 8 (citing Ex. DPC-1 (Testimony of Jerome Iverson) at 8 (citing Order No. 679, FERC Stats. & Regs. ¶ 31,222 at P 58)).

[17] *Id.*

[18] *Id.* (citing *Dairyland Power Coop.*, 142 FERC ¶ 61,100, at P 11 (2013)).

[19] *See, e.g.*, *Midcontinent Indep. Sys. Operator, Inc.*, 145 FERC ¶ 61,263, at P 19 (2013). MVP Criterion 1 states the following:

> A Multi Value Project must be developed through the transmission expansion planning process to enable the transmission system to deliver energy reliably and economically in support of documented energy policy mandates or laws enacted or adopted through state or federal legislation or regulatory requirement that directly or indirectly govern the minimum or maximum amount of energy that can be generated by specific types of generation. The MVP must be shown to enable the transmission system to deliver such energy in a manner that is more reliable or more economic than it otherwise would be without the transmission upgrade.

applicant to demonstrate that there is a nexus between the incentive sought and the investment being made. In Order No. 679-A, the Commission clarified that the nexus test is met when an applicant demonstrates that the total package of incentives requested is "tailored to address the demonstrable risks or challenges faced by the applicant."[20] Applicants must provide sufficient support to allow the Commission to evaluate each element of the package and the interrelationship of all elements of the package.[21] The Commission noted that this nexus test is fact-specific and requires the Commission to review each application on a case-by-case basis. The Commission has, in prior cases, approved multiple rate incentives for particular projects where appropriate.[22] This is consistent with Order No. 679 and our interpretation of section 219 authorizing the Commission to approve more than one incentive rate treatment for an applicant proposing a new transmission project, as long as each incentive is justified by a showing that it satisfies the requirements of section 219 and that there is a nexus between the incentives proposed and the investment made.[23]

i. <u>Hypothetical Capital Structure</u>

(a) <u>Dairyland Proposal</u>

18. Dairyland requests authority to use a hypothetical capital structure of 40 percent equity and 60 percent debt for the life of the debt used to finance the Badger-Coulee Project, which Dairyland estimates will be issued in 2020 and reach maturity in 2054.[24] Dairyland argues that its request is commensurate with the risks that Dairyland faces in developing the Badger-Coulee Project. Dairyland explains that it cannot raise equity capital through stock offerings and, similar to other municipal investors, often relies on non-equity financing for its projects. Dairyland also states that its investment in the Badger-Coulee Project represents a larger risk to Dairyland member-owners than would the same investment to investor-owned utility shareholders because Dairyland's member-

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[20] Order No. 679-A, FERC Stats. & Regs. ¶ 31,236 at P 40.

[21] 2012 Incentives Policy Statement, 141 FERC ¶ 61,129 at P 10 (quoting Order No. 679-A, FERC Stats. & Regs. ¶ 31,236 at P 40).

[22] *See, e.g.*, *Central Minnesota Mun. Power Agency*, 134 FERC ¶ 61,115, at P 34 (2011) (finding that inclusion of 100 percent of construction work in progress in rate base, abandoned plant recovery, and use of a hypothetical capital structure were tailored to the unique challenges faced by the applicant).

[23] Order No. 679, FERC Stats. & Regs. ¶ 31,222 at P 55.

[24] Pardikes Test. at 31.

owners are responsible for all of Dairyland's costs of service, including debt service, through the wholesale rate.[25]

19. Dairyland explains that the requested hypothetical equity ratio will help Dairyland secure its target debt service coverage (DSC) ratio, which will maintain and boost its strong credit rating and facilitate credit at reasonable rates. Dairyland states that its current credit rating is "A" by Standard & Poor's and A3 by Moody's and notes that its financial policy goal is to sustain its current credit rating of "A" from Standard and Poor's and improve its Moody's rating to "A2" or at least maintain an "A3" rating.[26] Dairyland asserts that an improved credit rating would provide access to external commercial funding sources which will become more important if Dairyland's traditional financing source, the Rural Utilities Service, becomes less reliable.[27]

20. Dairyland states that its DSC ratio averaged 1.21 between 2012 and 2014, which is at the low end of Moody's DSC range for an "A" rated joint action agency such as Dairyland.[28] Dairyland has budgeted for a DSC of 1.24 in 2015, consistent with its goal to move from an "A3" to an "A2" Moody's rating. Dairyland states that if its actual 2015 equity ratio of 20.6 percent were used to calculate the return on its investment for the Badger-Coulee Project, the average DSC for debt issued to finance its investment would be anticipated to yield a simple average DSC ratio of 1.08 from 2020 through 2054. This low DSC would cause Dairyland's financial metrics to degrade and would be inconsistent with its plans to improve its credit rating.[29]

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[25] Filing at 11, 13.

[26] *Id.* at 11-12; Ex. DPC-5 (Testimony of Phillip M. Moilien) at 6 (Moilien Test.).

[27] *Id*. (citing Pardikes Test. at 21 ("credit rating agencies favorably view [generation and transmission cooperatives] that have secured access to commercial funding because it allows another source of financing in the event that their traditional financing source, Rural Utilities Service, becomes less reliable as a long-term source of funding")). *See also* Moilien Test. at 7 ("securing access to commercial funding is a necessary goal for most [generation and transmission cooperatives] like Dairyland, because the Rural Utilities Service has become more limited in terms of the types of loans that can be made, and its ability to make loans could be vulnerable to federal budget cuts").

[28] Pardikes Test. at 22-23; s*ee also* Ex. DPC-9, DPC Historical & Budget Financial Metrics Compared to Moody's "A" Range.

[29] Filing at 12; Pardikes Test. at 23-24.

21. Dairyland argues that the requested hypothetical capital structure supports and encourages its participation in the Badger-Coulee Project and future transmission projects. Dairyland additionally asserts that, as a public power entity, its participation in the Badger-Coulee project supports the goals of Order No. 679: encouraging public power participation and increasing diversity in new transmission investments. Dairyland states that cooperatives such as itself have limited resources to invest in transmission and must consider other investments whose returns are commensurate with their risk. Dairyland contends that without additional public power participation, MISO customers would pay comparatively higher long-term rates.[30]

(b) Commission Determination

22. We grant the requested incentive for Dairyland to use a hypothetical capital structure of 40 percent equity and 60 percent debt for the life of financing of the Badger-Coulee Project. The requested hypothetical capital structure will bolster Dairyland's financial metrics, help ensure its strong credit rating, and enable its participation in the Badger-Coulee Project. Further, the requested hypothetical capital structure is within the range that the Commission has allowed for other entities reliant on non-equity financing.[31]

ii. Abandoned Plant

(a) Dairyland Proposal

23. Dairyland states that it requests the Abandoned Plant Recovery incentive because its position as a minority owner of the Badger-Coulee Project provides little control over decisions related to its cancellation.[32] Dairyland notes that the Commission has issued orders approving the Abandoned Plant Recovery incentive for other projects, such as CapX2020 projects including the Hampton-Rochester-La Crosse Project (La Crosse Project).[33] Dairyland requested and was granted the Abandoned Plant Recovery

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[30] *Id.* at 15.

[31] *See, e.g.*, *Midcontinent Indep. Sys. Operator, Inc. and WPPI Energy*, 151 FERC ¶ 61,246 at P 22 (2015) (authorizing WPPI Energy to use a hypothetical capital structure of 50 percent equity and 50 percent debt); *Dairyland Power Coop.*, 142 FERC ¶ 61,100 at P 27 (authorizing Dairyland to use a hypothetical capital structure of 35 percent equity and 65 percent debt).

[32] Pardikes Test. at 32.

[33] Filing 17 (citing *WPPI Energy*, 141 FERC ¶ 61,004, at P 24 (2012); *Missouri River Energy Servs.*, 138 FERC ¶ 61,045, at P 24 (2012); *Otter Tail Power Co.*,

(continued ...)

incentive for the La Crosse Project.[34] Dairyland states that, in this case, the project is less risky due to the single-state jurisdiction nature of the proposed transmission line, but still requires many state and federal regulatory approvals as well as an approval from the Rural Utility Service for Dairyland's loan.[35] Additionally, Dairyland states that risks remain due to its lack of control as a minority owner in the project and its lack of control over the MISO regional planning process. Dairyland also asserts that its position is similar to that of WPPI Energy, for whom the Commission is considering the Abandoned Plant Recovery incentive for this project, in that Dairyland has a similarly small share relative to the lead investor and, thus, has little or no control over whether the Badger-Coulee Project is abandoned.

24. Dairyland claims that the Abandoned Plant Recovery incentive mitigates the financial impact of a cancelled project.[36] Dairyland states that the Badger-Coulee Project represents a significant investment for Dairyland and if the project were to be cancelled, Dairyland would have to raise rates to members to fully absorb incurred construction costs. Dairyland asserts that the threat of having to raise rates would discourage the Dairyland board from approving future large transmission projects.

25. Dairyland states that the Abandoned Plant Recovery incentive provides cost recovery assurance to credit rating agencies.[37] Dairyland will use this incentive to assure the credit rating agencies that, in the event of a cancelled project, it may avail itself of a regulatory mechanism to recover its prudently incurred costs in accordance with the MISO Tariff. Dairyland asserts that, when combined with the other requested incentive of a hypothetical capital structure, the Abandoned Plant Recovery incentive will make Dairyland's debt burden from the Badger-Coulee Project less onerous, contribute positively to Dairyland's credit rating, and encourage Dairyland's participation in future transmission projects at more advantageous financing terms.

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137 FERC ¶ 61,255, at P 52 (2011); *Central Minnesota Mun. Power Agency*, 134 FERC ¶ 61,115 at P 21; *ALLETE, Inc.*, 133 FERC ¶ 61,270, P 6 (2010); *Great River Energy*, 130 FERC ¶ 61,001, at P 33 (2010); *Otter Tail Power Co.*, 129 FERC ¶ 61,287 (2009), *order on compliance*, 131 FERC ¶ 61,129, at P 12 (2010); *Xcel Energy Servs., Inc.*, 121 FERC ¶ 61,284, at P 63 (2007)).

[34] *Dairyland Power Coop.*, 142 FERC ¶ 61,100 at P 19.

[35] Pardikes Test. at 9.

[36] *Id.* at 10.

[37] *Id.*

(b) Commission Determination

26. We grant the Abandoned Plant Recovery incentive for Dairyland to have the opportunity to recover 100 percent of its prudently incurred costs for the Badger-Coulee Project if it is abandoned for reasons beyond Dairyland's control. In Order No. 679, the Commission found that the Abandoned Plant Recovery incentive is an effective means of encouraging transmission development by reducing the risk of non-recovery of costs.[38] We find that Dairyland has demonstrated, consistent with Order No. 679, that the Badger-Coulee Project faces substantial risks and that approval of the Abandoned Plant Recovery incentive will address those risks by protecting Dairyland if the project is cancelled for reasons outside Dairyland's control.

27. We will not determine the justness and reasonableness of Dairyland's abandoned plant recovery, if any, until Dairyland seeks such recovery in a future section 205 filing. Order No. 679 specifically reserves the prudence determination for the later section 205 filing that every utility is required to make if it seeks abandoned plant recovery. At such time, Dairyland will be required to demonstrate in its section 205 filing that abandonment was beyond its control, provide for rate authorization allowing for recovery of abandonment costs that were prudently incurred, and propose a rate and cost allocation method to recover the costs in a just and reasonable manner.[39]

iii. Total Package of Incentives

(a) Dairyland Proposal

28. Dairyland states that it has tailored the requested incentives to meet the risks and challenges of the Badger-Coulee Project. Dairyland states that the requested Abandoned Plant Recovery and hypothetical capital structure incentives work together to reduce the substantial risks borne by Dairyland related to its participation in the Badger-Coulee Project.[40] Dairyland states that, to this end, Abandoned Plant Recovery provides regulatory certainty and assurance that Dairyland members alone would not have to absorb Dairyland's investments in Badger-Coulee Project if it is abandoned for reason's outside its control, but does not reduce the need for a hypothetical capital structure. Dairyland states that if a return consistent with the risks is not granted, then the investors will not pursue the Badger-Coulee Project regardless of the ability to recover abandoned plant costs. Dairyland additionally states that the requested incentives work together to

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[38] Order No. 679, FERC Stats. & Regs. ¶ 31,222 at PP 163-166.

[39] *Id.* P 166.

[40] Filing at 18.

provide the return and management of risk necessary for achieving financial strength and future access to a broad base of financing.[41] It also states that without these incentives, Dairyland, other generation and transmission cooperatives, and other public power entities would be less willing to invest in major new transmission projects.[42]

(b) Commission Determination

29. We find that the total package of incentives sought by Dairyland is tailored to address the risks and challenges that Dairyland faces in undertaking the Badger-Coulee Project. As noted above, in Order No. 679-A, the Commission clarified that its nexus test is met when an applicant demonstrates that the total package of incentives requested is tailored to address the demonstrable risks or challenges faced by the applicant.[43] Applicants must provide sufficient support to allow the Commission to evaluate each element of the package and the interrelationship of all elements of the package.[44] The Commission noted that this nexus test is fact-specific and requires the Commission to review each application on a case-by-case basis. The Commission has, in prior cases, approved multiple rate incentives for particular projects where appropriate. This is consistent with Order No. 679 and our interpretation of section 219 authorizing the Commission to approve more than one incentive rate treatment for an applicant proposing a new transmission project, as long as each incentive is justified by a showing that it satisfies the requirements of section 219 and is appropriate.[45] We find that Dairyland has demonstrated that each of the requested incentives, and the incentives package as a whole, address the risks and challenges faced by Dairyland in undertaking the Badger-Coulee Project.

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[41] Pardikes Test. at 35-36.

[42] Filing at 18-19.

[43] Order No. 679-A, FERC Stats. & Regs. ¶ 31,236 at P 40; 2012 Incentives Policy Statement, 141 FERC ¶ 61,129 at P 10.

[44] 2012 Incentives Policy Statement, 141 FERC ¶ 61,129 at P 10 (quoting Order No. 679-A, FERC Stats. & Regs. ¶ 31,236 at P 40).

[45] Order No. 679, FERC Stats. & Regs. ¶ 31,222 at P 55. *See also Midcontinent Indep. Sys. Operator, Inc. and WPPI Energy*, 151 FERC ¶ 61,246 at P 35.

2. Revisions to Rate Formulae

a. Dairyland Proposal

30. Dairyland states that it must make changes to its Attachment O-DPC and Attachment GG-DPC templates and it must utilize a new Attachment MM-DPC to implement the requested incentives. Dairyland states that in order to include the incentive return for its proposed hypothetical capital structure in the Attachment MM-DPC, it has added line items in the Attachment O-DPC to enter Badger-Coulee Project gross transmission plant, accumulated depreciation, net transmission plant and any unamortized abandoned plant costs related to this project. It has further added line items for a hypothetical capital structure that calculate the return for the Badger-Coulee Project. Dairyland states it has also added a line item in its Attachment O-DPC for the Annual Allocation Factor for Incentive Return, which subtracts the overall rate of return and the hypothetical capital structure for Attachment MM projects from the overall rate of return using Dairyland's actual capital structure. Dairyland explains that the Annual Allocation Factor for Incentive Return is used, in part, in the Attachment MM-DPC to calculate the annual transmission revenue requirement of the Badger Coulee Project. Dairyland states that it has added new notes and modified existing notes to account for the transmission plant receiving incentives.[46]

31. Dairyland states that requested changes to its Attachment GG-DPC include minor reference changes to account for the transmission plant receiving incentives.[47] Additionally, Dairyland states that it has added notes explaining the formula rate calculation of its annual transmission revenue requirement.[48]

32. Dairyland states that the proposed Attachment MM-DPC modifies the *pro forma* Attachment MM similarly to other MISO transmission owners' Attachments MM by including a line item and column to accommodate the Annual Allocation Factor for Incentive Return that was calculated in the proposed changes to Attachment O-DPC. Dairyland states that these additions calculate the total rate of return to be applied to the Badger-Coulee project. Dairyland adds that it also proposes to add new explanatory notes which note the difference in the returns using an actual capital structure and a hypothetical capital structure. Dairyland asserts that the protocols in its Attachment MM-

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[46] Moilien Test. at 11.

[47] *Id.* at 12.

[48] Ex. DPC-16, Explanation of Dairyland's Proposed Attachment O, GG, and MM Template Variances at 5-6.

DPC are consistent with other MISO transmission owners' Attachment MM protocols with Commission-approved projects receiving incentives.[49]

b. Commission Determination

33. We will accept Dairyland's proposed changes to its Attachments O-DPC and GG-DPC, along with proposed Attachment MM-DPC. The proposed changes and new Attachment MM-DPC will facilitate the recovery of expenses related to the Badger-Coulee Project and implement the requested hypothetical capital structure. The proposed changes will also allow Dairyland to collect any unamortized abandoned plant costs, pending a separate section 205 filing, as discussed above.

3. Request for Waivers

34. We grant Dairyland's request for waiver of section 35.13(d) requirements, consistent with our prior approval of formula rates.[50] We note that if Dairyland requires waiver of any additional Commission regulations it may make such a request in a later filing. We deny Dairyland's request to waive the service requirements under 18 C.F.R. § 385.2010 because Dairyland appears to have already met the requirements, which contemplate electronic service. Dairyland states that it electronically served a copy of the filing on all MISO Tariff customers, all MISO Members, Member representatives of Transmission Owners and Non-Transmission Owners, MISO Advisory Committee participants, and state commissions in the region.[51]

The Commission orders:

(A) Dairyland's request for a hypothetical capital structure and abandoned plant recovery for the Badger-Coulee Project is hereby granted, as discussed in the body of this order.

(B) Dairyland's proposed revisions to Attachments O-DPC and GG-DPC are hereby accepted, effective July 1, 2015.

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[49] Moilien Test. at 12-13.

[50] *See Commonwealth Edison Co. and Commonwealth Edison Co. of Ind., Inc.*, 119 FERC ¶ 61,238, at P 94 (2007), *order on reh'g*, 122 FERC ¶ 61,037, *order on reh'g*, 124 FERC ¶ 61,231 (2008).

[51] Filing at 21.

(C) Dairyland's proposed Attachment MM-DPC is hereby accepted, effective July 1, 2015.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.