

155 FERC ¶ 61,134
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Norman C. Bay, Chairman;
Cheryl A. LaFleur, and Tony Clark,

Midcontinent Independent System Operator, Inc.

Docket Nos. ER14-2952-005
ER14-2952-006
ER14-1243-008
ER14-1725-004
ER14-2180-004

ORDER ON REHEARING AND COMPLIANCE

(Issued May 3, 2016)

1. On October 19, 2015, several parties¹ filed requests for rehearing of the Commission's September 17, 2015 order,² in which the Commission, among other things, accepted, subject to condition, Midcontinent Independent System Operator Inc.'s (MISO) proposed System Support Resource (SSR)³ cost allocation methodology (SSR

¹ These parties include the Michigan Public Service Commission (Michigan Commission); Tilden Mining Company L.C. and Empire Iron Mining Partnership (the Mines), Verso Corporation (Verso), City of Mackinac Island, The Sault Ste. Marie Tribe of Chippewa Indians, and Upper Peninsula Power Company (UPPCo) (collectively, Michigan Aligned Parties); the City of Escanaba, Michigan (City of Escanaba); Cloverland Electric Cooperative, Inc. (Cloverland); UPPCo; and Verso.

² *Midcontinent Indep. Sys. Operator, Inc.*, 152 FERC ¶ 61,216 (2015) (SSR Cost Allocation Compliance Order).

³ MISO's Open Access Transmission, Energy and Operating Reserve Markets Tariff (Tariff) defines SSRs as "Generation Resources or [SCUs] that have been identified in Attachment Y – Notification to this Tariff and are required by the Transmission Provider for reliability purposes, to be operated in accordance with the procedures described in Section 38.2.7 of this Tariff." MISO, FERC Electric Tariff, Module A, § 1.S "System Support Resource (SSR)" (39.0.0).

Cost Allocation Methodology), finding that it generally complied with the directives of the Commission's February 2015 order.⁴ Specifically, the Commission found that, as modified, the SSR Cost Allocation Methodology assigns SSR costs directly to load-serving entities (LSEs) serving loads that would require the operation of the Presque Isle, Escanaba, and White Pine SSR Units⁵ for reliability purposes, as required by the Tariff, under conditions that are representative of actual manual and/or automatic responses taken during reliability events.⁶

2. On October 8, 2015, as directed by the Commission in the SSR Cost Allocation Compliance Order, MISO made a compliance filing in Docket No. ER14-2952-005 (October Compliance Filing), submitting proposed revisions to its Tariff, as explained more fully below.

3. In this order, we deny the requests for rehearing, accept MISO's compliance filing, and direct MISO to file a detailed refund report within 45 days of the date of this order.

I. Background⁷

4. Under MISO's Tariff, market participants that have decided to retire or suspend a Generation Resource or Synchronous Condenser Unit (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 alternative to the SSR 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

⁴ *Pub. Serv. Comm'n of Wisconsin v. Midcontinent Indep. Sys. Operator, Inc.*, 150 FERC ¶ 61,104, at PP 73-79 (2015) (February 2015 Order).

⁵ Each of these SSR Units is described more fully below.

⁶ SSR Cost Allocation Compliance Order, 152 FERC ¶ 61,216 at P 61.

⁷ A more complete history of this proceeding can be found in the SSR Cost Allocation Compliance Order. *See id.* PP 2-12.

(Standard Form SSR Agreement) of the Tariff, to ensure that the resource continues to operate, as needed.⁸

5. 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 accepted, subject to condition, 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.⁹ On July 22, 2014, the Commission accepted MISO's compliance filing, subject to condition.¹⁰ On December 17, 2015, the Commission issued an order on rehearing and accepted MISO's further compliance filing, subject to condition.¹¹

6. In the February 2015 Order, the Commission affirmed a previous finding that it is unjust, unreasonable, unduly discriminatory, or preferential for MISO to allocate SSR costs on a *pro rata* basis to all LSEs in the footprint of the American Transmission Company (ATC) within MISO, and that MISO must instead require that SSR costs be allocated to the LSEs that require the operation of the SSR Units for reliability purposes.¹² The Commission directed MISO to file, within 60 days of the date of the order, a new study methodology that will allocate the costs associated with the Presque

⁸ See *Midwest Indep. Transmission Sys. Operator, Inc.*, 108 FERC ¶ 61,163, *order on reh'g*, 109 FERC ¶ 61,157 (2004).

⁹ *Midwest Indep. Transmission Sys. Operator, Inc.*, 140 FERC ¶ 61,237 (2012).

¹⁰ *Midwest Indep. Transmission Sys. Operator, Inc.*, 148 FERC ¶ 61,056 (2014) (SSR Compliance Order).

¹¹ *Midwest Indep. Transmission Sys. Operator, Inc.*, 153 FERC ¶ 61,313 (2015).

¹² February 2015 Order, 150 FERC ¶ 61,104 at PP 73-79.

Isle,¹³ Escanaba,¹⁴ and White Pine¹⁵ SSR Units directly to benefitting LSEs, as required by MISO's Tariff.¹⁶ The Commission stated that, in order to assign SSR costs directly to LSEs based on the extent to which the loads that they serve benefit from the SSR Unit, MISO could determine the SSR benefits of specific LSEs based on their actual energy withdrawals at elemental pricing nodes (EPNodes) rather than commercial pricing nodes

¹³ Presque Isle Units 5-9 are located in Marquette, Michigan within the ATC footprint and provide up to 344 MW of capacity, and were operated under an SSR agreement between MISO and Wisconsin Electric Power Company (Wisconsin Electric). On April 17, 2015, in Docket Nos. ER15-1070-000 and ER15-1071-000, the Commission accepted MISO's notice of termination of the SSR agreement and cancellation of Rate Schedule 43G for the Presque Isle SSR Units effective February 1, 2015 due to Wisconsin Electric's rescission of its Attachment Y Notice of retirement for Presque Isle Units 5-9. *See Midcontinent Indep. Sys. Operator, Inc.*, 151 FERC ¶ 61,051 (2015).

¹⁴ Escanaba SSR Units 1 and 2 are located in Escanaba, Michigan within the ATC footprint and provide up to 25 MW of capacity, and were operated under an SSR agreement between MISO and the City of Escanaba, Michigan. On May 15, 2015, in Docket Nos. ER15-1505-000 and ER15-1506-000, the Commission accepted for filing MISO's notice of termination of the SSR agreement and its request to cancel Rate Schedule 43 for the Escanaba SSR Units effective June 15, 2015. *See Midcontinent Indep. Sys. Operator, Inc.*, Docket No. ER15-1505-000 and ER15-1506-000 (May 15, 2015) (delegated letter order).

¹⁵ The White Pine SSR Unit refers to White Pine SSR Unit No. 1, which is located in White Pine, Michigan within the ATC footprint and provides up to 20 MW of capacity, and is operated under an SSR agreement between MISO and White Pine Electric Power, LLC.

¹⁶ February 2015 Order, 150 FERC ¶ 61,104 at PP 86, 89, 113, 132. This new study methodology would replace the practice described in MISO's Business Practice Manual, whereby MISO employed an optimal load-shed methodology to determine the relative reliability impact to each MISO Local Balancing Authority (LBA) of operation without the SSR Units, and the load shed values for each contingency were organized by LBA location and accumulated to determine the total load shed for each LBA along with the corresponding share ratio (the optimization-LBA approach).

(CPNodes).¹⁷ The Commission stated that the study methodology should identify the LSEs that require the operation of these SSR Units for reliability purposes under conditions that are representative of actual manual and/or automatic responses taken during reliability events.¹⁸ The Commission directed MISO to submit Tariff revisions adjusting the SSR cost allocation under the rate schedules associated with the Presque Isle, Escanaba, and White Pine SSR Units, such that the SSR Units' costs are allocated in accordance with the new study methodology, with such revised cost allocation to be effective as follows: on June 15, 2014 for the Escanaba SSR Units; on April 16, 2014 for the White Pine SSR Units; and on April 3, 2014 for the Presque Isle SSR Units.¹⁹

7. The Commission also rejected requests for rehearing of its previous finding that refunds of Presque Isle SSR costs are warranted back to April 3, 2014, with those refunds consisting of costs allocated to LSEs that were higher than the costs to be allocated to those LSEs according to the forthcoming SSR cost allocation methodology modified to comply with the Commission's directives.²⁰ The Commission likewise found it appropriate to uphold similar refunds of SSR costs associated with the White Pine and

¹⁷ *Id.* P 87. MISO's Tariff defines an EPNode as a single bus node where locational marginal price is calculated. *See* MISO, FERC Electric Tariff, Module A, § 1.E "Elemental Pricing Node (EPNode)" (38.0.0). MISO's Tariff defines a CPNode as an EPNode or aggregate price node in the Commercial Model used to schedule and settle market activities. CPNodes include resources, hubs, load zones and/or interfaces. *See* MISO, FERC Electric Tariff, Module A, § 1.C "Commercial Pricing Node (CPNode)" (35.0.0). The Commercial Model is a financial representation of the relationships between MISO market participants and their resources, CPNodes, and the physical Network Model. *See* MISO, FERC Electric Tariff, Module A, § 1.C "Commercial Model" (35.0.0).

¹⁸ February 2015 Order, 150 FERC ¶ 61,104 at P 86.

¹⁹ *Id.* P 89. The effective dates for the White Pine and Escanaba SSR Units aligned with the effective dates of previous compliance filings accepted, subject to condition, by the Commission, while the effective date for the Presque Isle SSR Units aligned with the refund effective date set in the Wisconsin Commission Complaint Order. *See Midcontinent Indep. Sys. Operator, Inc.*, 148 FERC ¶ 61,116, at P 37 (2014); *Midcontinent Indep. Sys. Operator, Inc.*, 148 FERC ¶ 61,136, at PP 43-44 (2014); *Midcontinent Indep. Sys. Operator, Inc.*, 148 FERC ¶ 61,071, at P 68 (2014) (Wisconsin Commission Complaint Order).

²⁰ February 2015 Order, 150 FERC ¶ 61,104 at P 90.

Escanaba SSR Units.²¹ The Commission stated that implementation of the refund requirements for these SSR Units would be addressed in a future order addressing MISO's new study methodology.²²

8. On May 20, 2015, in Docket No. ER14-2952-003, MISO submitted a compliance filing in response to the Commission's directives in the February 2015 Order.²³ MISO's compliance filing included a generic Rate Schedule 43A that described the SSR Cost Allocation Methodology, which did not rely upon an optimal load-shed study or LBA boundaries.²⁴ Instead, MISO proposed to base cost allocation on the impact of load on constraints that are identified in an Attachment Y Study.²⁵ MISO explained that the method recognizes the physical location of the loads in relation to the issues that are caused by the units subject to SSR designation; thus, loads that would contribute to the thermal or voltage violations in the absence of the SSR Unit benefit by keeping the unit available as an SSR Unit to avoid the reliability issues.

9. In the SSR Cost Allocation Compliance Order, the Commission accepted, subject to condition, MISO's SSR Cost Allocation Methodology, finding that it generally complied with the directives of the February 2015 Order in that it assigns SSR costs directly to LSEs serving loads that would contribute to thermal or voltage reliability violations in the absence of the Presque Isle, Escanaba, and White Pine SSR Units under conditions that are representative of actual manual and/or automatic responses taken during reliability events. The Commission rejected MISO's proposed Rate Schedule 43A as a generally applicable rate schedule, and directed MISO, in a compliance filing, to incorporate the SSR Cost Allocation Methodology (modified by the SSR Cost Allocation Compliance Order) directly into the rate schedules applicable to the Presque Isle,

²¹ *Id.* P 93.

²² The Commission also noted that other issues raised in the rehearing requests with respect to refunds are more appropriately addressed once the Commission has addressed MISO's new study methodology and MISO has filed a detailed refund report. *Id.* P 93 n.231.

²³ MISO May 20, 2015 SSR Cost Allocation Compliance Filing, Docket No. ER14-2952-003, Transmittal Letter, at 1 (filed May 20, 2015) (May Compliance Filing).

²⁴ *Id.*, Tab A, MISO FERC Electric Tariff, Schedule 43A, Allocation of System Support Resources Costs (31.0.0).

²⁵ *Id.*, Transmittal Letter at 3.

Escanaba, and White Pine SSR Units. Additionally, subject to the compliance directives described below, the Commission accepted revised Rate Schedule 43 (Allocation of SSR Costs Associated with Escanaba Unit Nos. 1 & 2), revised Rate Schedule 43G (Allocation of SSR Costs Associated with the Presque Isle Unit Nos. 5-9), and revised Rate Schedule 43H (Allocation of SSR Costs Associated with White Pine Unit No. 1) to be effective on the following dates, as requested: June 15, 2014 for Escanaba Rate Schedule 43; April 3, 2014 for Presque Isle Rate Schedule 43G; and April 16, 2014 for White Pine Rate Schedule 43H.

10. As noted above, on October 8, 2015, as directed by the Commission in the SSR Cost Allocation Compliance Order, MISO made the October Compliance Filing in Docket No. ER14-2952-005; and on October 19, 2015, several parties sought rehearing of the SSR Cost Allocation Compliance Order.

II. Notice and Responsive Pleadings

11. Notice of MISO's October Compliance Filing in Docket No. ER14-2952-005 was published in the *Federal Register*, 80 Fed. Reg. 63,762 (2015), with protests and interventions due on or before October 29, 2015. The Michigan Commission, the City of Escanaba, and the Mines each filed a timely protest on October 29, 2015.²⁶ On November 5, 2015, MISO filed a motion to answer and answer in response to the protests.

12. On November 3, 2015, Verso filed a motion for leave to answer and answer in response to Cloverland's request for rehearing.

III. Discussion

A. Procedural Matters

13. Rule 713(d) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.713(d) (2015), prohibits an answer to a request for rehearing. Accordingly, we will reject Verso's answer. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2015), prohibits an answer to a protest unless otherwise ordered by the decisional authority. We are not persuaded to accept MISO's answer and will, therefore, reject it.

²⁶ None of these parties was required to seek intervention because they were already parties to the proceeding.

B. Substantive Matters**1. Rehearing of SSR Cost Allocation Compliance Order****a. Model Assumptions****i. SSR Cost Allocation Compliance Order**

14. In the SSR Cost Allocation Compliance Order, the Commission determined that MISO's SSR Cost Allocation Methodology "generally compli[ed] with the directives of the February 2015 Order in that it assigns SSR costs directly to LSEs serving loads that would contribute to the thermal or voltage violations in the absence of the Presque Isle, Escanaba, and White Pine SSR Units."²⁷ The Commission rejected Cloverland's argument that MISO inappropriately allocated Presque Isle SSR costs because MISO modeled temporary and atypical operating conditions that do not reflect historical or future power flows within the Upper Peninsula.²⁸ The Commission stated that, as MISO explained in its answer to the protests, the Presque Isle SSR Agreement was in effect from February 1, 2014 through January 31, 2015, during which time Cloverland was regularly being served from the western Upper Peninsula (where the Presque Isle SSR Units are located). The Commission found it proper for MISO to model the system conditions present during the time that the Presque Isle SSR Agreement was actually in effect in order to determine appropriate allocation of Presque Isle SSR costs to those LSEs that benefitted from the operation of the SSR Units.

15. With respect to the technical concerns raised regarding MISO's SSR Cost Allocation Methodology, the Commission found that, excluding the specific elements the Commission directed MISO to address on compliance, the SSR Cost Allocation Methodology is just and reasonable.²⁹ The Commission found problems with four aspects of MISO's proposed methodology: (1) MISO did not provide an explanation for how MISO will calculate load distribution factors to identify benefitting load; (2) MISO did not justify its proposal to select load buses that have the highest 80 percent effect on the constraint as beneficiaries of SSR Unit operation; (3) MISO did not justify its proposal to allocate SSR costs at the CPNode level based on a non-coincident monthly peak volume for each CPNode; and (4) MISO did not adequately explain the terms

²⁷ SSR Cost Allocation Compliance Order, 152 FERC ¶ 61,216 at P 60.

²⁸ *Id.* P 68.

²⁹ *Id.* PP 65-73.

“Daily Load Weighting Factor” and “aggregate distribution factor” in its proposed Tariff language.

ii. **Requests for Rehearing**

16. Cloverland argues that the Commission erred when it failed to require MISO to modify the SSR Cost Allocation Methodology to include those periods when the system was operated significantly different from the modelled conditions.³⁰ Specifically, Cloverland argues that, when determining the SSR benefits of the Presque Isle SSR Units, MISO, in modeling the system conditions present during construction of an HVDC transmission project (which overlapped with the term of the Presque Isle SSR Agreement), ignored periods when Cloverland was served from the Lower Peninsula and assumed Cloverland was served continuously from the Upper Peninsula throughout the construction of the HVDC and other projects. Cloverland argues that the Commission ignored this argument in the SSR Cost Allocation Compliance Order and only addressed whether MISO should have modelled operational characteristics of the system from periods when construction of the HVDC system was not occurring.³¹

17. The Michigan Commission argues that the Commission erred in the SSR Cost Allocation Compliance Order by finding that the Michigan Commission failed to show that the two factors utilized by MISO in the SSR Cost Allocation Methodology (i.e., the extent to which load contributed to thermal reliability constraints and the extent to which load would cause voltage violations in the absence of the SSR Unit) are insufficient to identify LSEs that benefit from the SSR Units, and that the Michigan Commission failed to identify other factors that MISO should have considered in order to identify a broader geographical area of benefiting load.³²

18. For example, the Michigan Commission argues that it expressly stated that MISO’s failure to include the same NERC contingencies utilized by ATC to identify load affected by the retirement of generation to also identify the load and LSEs that benefit from the operation of Presque Isle, White Pine, and Escanaba SSR Units is unjust and unreasonable.³³ The Michigan Commission contends that MISO’s inclusion of only

³⁰ Cloverland Request for Rehearing at 3-6.

³¹ *Id.* at 4-6.

³² Michigan Commission Request for Rehearing at 10.

³³ *Id.* at 10-11 (citing Michigan Commission June 10, 2015 Protest at 6 n.26).

two NERC P1 contingencies³⁴ to identify load benefitting from the Presque Isle SSR Units remaining in operation ignores the fact that operating the transmission system in the Upper Peninsula without the Presque Isle SSR Units operating leaves a large portion of the ATC zone outside of the Upper Peninsula vulnerable to outages if one Upper Peninsula transmission line fails, and it is unreasonable for MISO to effectively assume that these other areas would be protected by curtailment of firm load in the Upper Peninsula. Accordingly, the Michigan Commission argues, charging load in the Upper Peninsula for the vast majority of costs related to maintaining operation of Presque Isle SSR Units is unjust and unreasonable because maintaining such generation in operation could also benefit load located in large areas of ATC's footprint outside of the Upper Peninsula, such as Wisconsin.³⁵ Related to these arguments, the Michigan Commission argues that the Commission erred by rejecting the Michigan Commission's request for a hearing to develop a record to resolve the factual disputes relating to whether MISO's use of only two contingencies accurately identifies all loads that benefit from the continued operation of the SSR Units for reliability.³⁶

iii. Commission Determination

19. We deny the rehearing requests of Cloverland and the Michigan Commission concerning MISO's modelling assumptions. We disagree with Cloverland's argument that MISO did not take into consideration the atypical operating conditions present during the term of the Presque Isle SSR Agreement when it allocated SSR costs to Cloverland. As the Commission stated in the SSR Cost Allocation Compliance Order, the Presque Isle SSR Agreement was in effect from February 1, 2014 through January 31, 2015 and the Commission found it proper for MISO to model the system conditions present during the time that the Presque Isle SSR Agreement was actually in effect in order to determine the appropriate allocation of Presque Isle SSR costs to those LSEs that benefitted from

³⁴ NERC's Transmission System Planning Performance Requirements defines a Category P1 contingency as the loss of one of the following: (1) generator; (2) transmission circuit; (3) transformer; (4) shunt device; or (5) single pole of a DC line. *See* North American Reliability Corporation, Transmission System Planning Performance Requirements, Standard TPL-001-4, Table 1 – Steady State & Stability Performance Planning Events, http://www.nerc.com/_layouts/PrintStandard.aspx?standardnumber=TPL-001-4&title=Transmission%20System%20Planning%20Performance%20Requirements (last visited Feb. 2, 2016).

³⁵ Michigan Commission Request for Rehearing at 9-11.

³⁶ *Id.* at 12.

the operation of the SSR Units.³⁷ In response to Cloverland's argument that MISO's model inputs did not reflect actual system operation, Cloverland has not persuaded us to change our determination that MISO demonstrated in its June 2015 answer that, while there were changes in system configuration due to the opening and closing of circuits at the Hiawatha substation, any changes were of limited duration and impact, such that Cloverland was regularly being served by the Upper Peninsula during the duration of the Presque Isle SSR Agreement.³⁸

20. We also disagree with the Michigan Commission that MISO must include the same NERC contingencies utilized by ATC to identify load affected by the retirement of generation to also identify the load and LSEs that benefit from the operation of the Presque Isle, White Pine, and Escanaba SSR Units. As an initial matter, we note that much of what the Michigan Commission is arguing here is provided for the first time on rehearing, which is prohibited.³⁹ Nevertheless, we affirm the finding in the SSR Cost Allocation Compliance Order that the SSR Cost Allocation Methodology as modified – which allocates SSR costs directly to the LSEs serving loads that would contribute to the thermal or voltage violations in the absence of the Presque Isle, Escanaba, and White Pine SSR Units – allocates costs to those LSEs that benefit as required by the Tariff and is just and reasonable.⁴⁰ Last, nothing raised here persuades us that the Commission's decision declining to set this matter for hearing was in error.

³⁷ SSR Cost Allocation Compliance Order, 152 FERC ¶ 61,216 at P 68.

³⁸ MISO Answer, Docket No. ER14-2952-003, *et al.*, at 11 (filed June 25, 2015).

³⁹ *See, e.g., W. Grid. Dev., LLC*, 133 FERC ¶ 61,029, at P 14 (2010) (“It is well established that a request for rehearing is not the appropriate procedural vehicle for raising issues for the first time because it is disruptive to the administrative process and denies the parties the opportunity to respond.”) (citation omitted).

⁴⁰ SSR Cost Allocation Compliance Order, 152 FERC ¶ 61,216 at P 60. *See, e.g., Oxy USA, Inc. v. FERC*, 64 F.3d 679, 692 (D.C. Cir. 1995) (finding that under the FPA, as long as the Commission finds a methodology to be just and reasonable, that methodology “need not be the only reasonable methodology, or even the most accurate one”); *cf. City of Bethany v. FERC*, 727 F.2d 1131, 1136 (D.C. Cir. 1984) (when determining whether a proposed rate was just and reasonable, the Commission properly did not consider “whether a proposed rate schedule is more or less reasonable than alternative rate designs”).

b. Disclosure of Data and Formula Rates**i. SSR Cost Allocation Compliance Order**

21. In the SSR Cost Allocation Compliance Order, the Commission rejected requests that the Commission refrain from accepting MISO's SSR Cost Allocation Methodology "without requiring the submission of further workpapers, testimony, affidavits, or underlying studies."⁴¹ The Commission found that, generally, MISO's explanation of the SSR Cost Allocation Methodology in its filing and its answers to the protests, along with its submission of a thorough, step-by-step formula for the allocation of SSR costs in its proposed Tariff language, was sufficient to show that the SSR Cost Allocation Methodology avoids the shortcomings of MISO's optimization-LBA approach and allocates SSR costs directly to the LSEs that benefit from operation of the Presque Isle, Escanaba, and White Pine Units. The Commission concluded that MISO had "sufficiently described the conditions, assumptions, and calculations underlying its revised study methodology, and further data submissions or development of the record were not necessary to show that MISO's proposed methodology is just and reasonable."⁴² The Commission added that requests for critical energy infrastructure information (CEII) or settlement information to non-MISO members was similarly not necessary to make a finding that MISO's SSR Cost Allocation Methodology is just and reasonable.

ii. Requests for Rehearing

22. Verso, UPPCo, the Michigan Commission, and the Michigan Aligned Parties argue that the Commission erred when it concluded that MISO need not disclose the underlying data implementing the SSR formula rate and the resulting rates in order to determine whether the methodology was just and reasonable. Verso and the Michigan Aligned Parties contend that this conclusion is inconsistent with the Commission's precedent and policies requiring that there be transparency in the formula rate process to ensure just and reasonable rates.⁴³ Verso contends that the Commission should

⁴¹ SSR Cost Allocation Compliance Order, 152 FERC ¶ 61,216 at P 63.

⁴² *Id.*

⁴³ Verso Request for Rehearing at 1-2, 6; Michigan Aligned Parties Request for Rehearing at 19-22 (citing *Midwest Indep. Transmission Sys. Operator, Inc.*, 143 FERC ¶ 61,149, at P 17 (2013); *Westar Energy, Inc.*, 148 FERC ¶ 61,033 (2014); *Midwest Indep. Transmission Sys. Operator, Inc.*, 140 FERC ¶ 61,060 (2012); *Hilt Truck Line, Inc. v. United States*, 548 F.2d 214, 216 (7th Cir. 1977); *Secretary of Agriculture v. United States*, 347 U.S. 645, 652-53 (1954)).

immediately reopen the proceedings and order that MISO disclose, to the Commission and the parties, all data regarding the SSR Cost Allocation Methodology, the actual allocation of such costs, and the implementation of that methodology, including the underlying inputs and studies as applied to the formula methodology producing the actual rates (subject to any appropriate protective agreements ordered by the Commission).⁴⁴ Verso and the Michigan Aligned Parties accept that the Commission can authorize a formula rate, but contend that the Commission must ensure, and must allow ratepayers to ensure, that the formula was correctly applied. Verso argues that information regarding inputs, calculations, and implementation of the SSR formula rate cost-allocation methodology is necessary to understand and evaluate the justness and reasonableness of all aspects of MISO's compliance filing, and that the revised formula rate protocols for MISO's transmission owners under section 206 of the Federal Power Act (FPA)⁴⁵ require such transparency.⁴⁶ Additionally, Verso contends that the Commission acted contrary to *West Deptford Energy, LLC*,⁴⁷ which, Verso argues, struck a balance between the interest of parties like Verso that have a right to participate meaningfully in Commission proceedings and the right of opposing parties to protect confidential or proprietary information exchanged during Commission proceedings.

23. The Michigan Commission and the Michigan Aligned Parties argue that in reaching the conclusion that information concerning the end result of the SSR Cost Allocation Methodology is not necessary to show that such methodology is just and reasonable, the Commission ignored the longstanding U.S. Supreme Court precedent of *Colorado Interstate Gas Co. v. FPC*.⁴⁸ The Michigan Commission and the Michigan

⁴⁴ Verso Request for Rehearing at 2.

⁴⁵ 16 U.S.C. § 824e (2012).

⁴⁶ Verso Request for Rehearing at 6-7 (citing *Midwest Indep. Transmission Sys. Operator, Inc.*, 143 FERC ¶ 61,149, at P 17 (2013) (stating that “[b]oth a formula rate and its inputs must be transparent” and that “to be just and reasonable, the MISO formula rate protocols must be revised to provide interested parties with the information necessary to understand and evaluate the implementation of the formula rate for either the correctness of inputs and calculations, or the reasonableness of the costs to be recovered in the formula rate.”)).

⁴⁷ *West Deptford Energy, LLC*, 134 FERC ¶ 61,189 (2011) (*West Deptford*).

⁴⁸ Michigan Commission Request for Rehearing at 8-9; Michigan Aligned Parties Request for Rehearing at 13-15 (citing *Colo. Interstate Gas Co. v. FPC*, 324 U.S. 581, 603 (1945) (It is “the result reached not the method employed which is controlling.”) (citation omitted).

Aligned Parties also argue that the Commission ignored prior Commission findings, which support disclosing the end result of the allocation of SSR costs prior to the Attachment Y analysis of alternatives to SSR Units as necessary to enable LSEs to better understand their potential responsibility for SSR costs and participate in identifying any SSR alternative.⁴⁹

24. The City of Escanaba argues that although the Commission can accept a formula rate under section 205 and deem it just and reasonable without inspecting every bill that results from that formula, the premise for accepting formula rates is their “fixed, predictable nature.”⁵⁰ The City of Escanaba argues that, unlike a traditional transmission formula rate, which is fixed and predictable, MISO here developed a new methodology that has never been used before and has not yet been fixed.

25. UPPCo argues that, by rejecting parties’ arguments regarding the underlying information and data, the Commission deprived UPPCo and other customers of their due process rights under the Fifth Amendment of the U.S. Constitution. UPPCo argues that Constitutional due process requires that a party affected by governmental action be given “the opportunity to be heard at a meaningful time and in a meaningful way.”⁵¹ UPPCo contends that the proposed formula rate is very complicated and cannot be understood fully without the underlying workpapers and technical studies. UPPCo argues that in addition to the four problems with the formula rate identified by the Commission, there would likely be additional problems identified if parties had the underlying workpapers and technical studies. As an example, UPPCo explains that the Commission accepted MISO’s minimum load distribution factor cutoff of one percent, but in the abstract, without the underlying workpapers and technical studies to see how many load buses fell below and above the one percent cutoff, it is difficult to determine if the one percent cutoff was established correctly. UPPCo adds that although the Commission has an interest in protecting commercially sensitive and CEII information from unnecessary disclosure, the Commission has well-established procedures for protecting commercially sensitive and CEII information under appropriate protective orders and, thus, the fiscal and administrative burden on the Commission of requiring the release of the underlying

⁴⁹ Michigan Commission Request for Rehearing at 8-9; Michigan Aligned Parties Request for Rehearing at 13-15 (citing SSR Compliance Order, 148 FERC ¶ 61,056 at P 35).

⁵⁰ City of Escanaba Request for Rehearing at 8 (citing *Ocean State Power II*, 69 FERC ¶ 61,146, at 61,552 (1994)).

⁵¹ UPPCo Request for Rehearing at 6 (citing *Matthews v. Eldridge*, 424 U.S. 319, 333 (1976)).

workpapers and technical studies to determine whether the allocation of SSR costs is unjust, unreasonable, unduly discriminatory or preferential significantly outweighs the minimal burden on the Commission. UPPCo also argues that the Commission deviated from its established precedent without a reasoned explanation when it shifted the burden of showing the necessity of the requested information to the customers. According to UPPCo, in deciding whether to grant access to confidential information when a protective order is available, the Commission has consistently determined that “a party claiming that confidential information should be withheld entirely will be expected to show that a protective order will not adequately safeguard its interests.”⁵²

26. The City of Escanaba argues that the Commission erred by accepting MISO’s May Compliance Filing as just and reasonable while also finding serious technical deficiencies. The City of Escanaba also contends that the SSR Cost Allocation Compliance Order contains internal inconsistencies. For example, the City of Escanaba argues that the Commission stated in the SSR Cost Allocation Compliance Order that “further data submissions or development of the record are not necessary”⁵³ but then directed MISO to submit a compliance filing to provide additional explanation and justification.⁵⁴ Additionally, the City of Escanaba argues that the Commission initially rejected the argument that MISO did not justify the use of uniform distribution factors but later required MISO to describe how load distribution will be calculated because MISO’s SSR Cost Allocation Methodology does not provide an explanation for how MISO will calculate load distribution factors to identify benefitting load.⁵⁵

27. The City of Escanaba also contends that the Commission’s decision not to require MISO to submit more information compounded the difficulties experienced by the City of Escanaba in being asked throughout this proceeding to react to highly complex methodologies.⁵⁶ Specifically, the City of Escanaba argues that the Commission erred in

⁵² *Id.* at 9 (citing *West Deptford*, 134 FERC ¶ 61,189 at P 27; *Mojave Pipeline Co.*, 38 FERC ¶ 61,249 at 61,842 (1987)).

⁵³ City of Escanaba Request for Rehearing at 5-6 (citing SSR Cost Allocation Compliance Order, 152 FERC ¶ 61,216 at P 63).

⁵⁴ *Id.* (citing SSR Cost Allocation Compliance Order, 152 FERC ¶ 61,216 at PP 71-74).

⁵⁵ *Id.* (citing SSR Cost Allocation Compliance Order, 152 FERC ¶ 61,216 at PP 65-70).

⁵⁶ *Id.* at 8.

ordering a change to coincident peak load because there was no basis in the record to support such a change. The City of Escanaba contends that MISO's May Compliance Filing did not say anything about this portion of the methodology, and in the SSR Cost Allocation Compliance Order the Commission states that MISO did not respond to arguments against using non-coincident peak load. The City of Escanaba argues that the change to coincident peak load could have a significant impact on the cost allocation, and the degree to which the change results in a cost shift among customer classes is completely unexplored on the record.⁵⁷

iii. Commission Determination

28. We deny the requests for rehearing arguing that MISO must disclose the underlying data implementing the SSR Cost Allocation Methodology. In doing so, we reject arguments that MISO must show the actual allocation of Presque Isle, Escanaba, and White Pine SSR costs resulting from the SSR Cost Allocation Methodology in its compliance filing before the Commission can make a determination as to whether that methodology is just and reasonable. The Commission determined in the SSR Cost Allocation Compliance Order that MISO's SSR Cost Allocation Methodology generally complied with the directives of the February 2015 Order in that it assigns SSR costs directly to LSEs serving loads that would contribute to the thermal or voltage violations in the absence of the Presque Isle, Escanaba, and White Pine SSR Units.⁵⁸ The Commission further determined that MISO's proposed SSR cost allocation was properly designed so as to identify the LSE beneficiaries of the SSR Units and allocate costs directly to those beneficiaries, as required by the February 2015 Order.⁵⁹ The Commission was able to make a determination as to whether the SSR Cost Allocation Methodology assigns SSR costs directly to LSEs serving loads that would contribute to the thermal or voltage violations in the absence of the Presque Isle, Escanaba, and White Pine SSR Units without analyzing the underlying data deemed necessary by intervenors, or reviewing the implementation of the methodology and the resulting rates.⁶⁰ Nothing that has been raised here on rehearing persuades us otherwise.

29. In response to arguments that the SSR Cost Allocation Methodology is neither transparent nor fixed, and therefore the inputs into this formula-type cost allocation

⁵⁷ *Id.* at 9.

⁵⁸ SSR Cost Allocation Compliance Order, 152 FERC ¶ 61,216 at P 60.

⁵⁹ *Id.* P 62.

⁶⁰ *Id.* PP 62-63.

methodology must be made available before a party can determine whether its cost allocation is just and reasonable, we note that the methodology at issue in this proceeding is like many in MISO's market rules and Tariff, in that it relies on inputs derived from Tariff-defined sources, as discussed further, below. We find that, as conditioned, MISO's methodology is of comparable specificity to other market rules in MISO's Tariff and other RTO tariffs, and is sufficiently specific for the purpose of finding that it is just and reasonable and will produce just and reasonable results. While different in nature than a conventional cost-of-service transmission formula rate, like such cost-of-service formula rates, the specific inputs are largely not required for approval of the SSR Cost Allocation Methodology; rather, the Commission approves "the formula itself, which becomes the filed rate."⁶¹ In other words, in this case, the SSR Cost Allocation Methodology is the filed rate. We also find that, as with other aspects of MISO's market rules and Tariff, it would be impractical for MISO to disclose all of the inputs to the SSR Cost Allocation Methodology in the same manner as it would the inputs to a cost-of-service transmission formula rate due to the multi-step manner in which the inputs to the SSR Cost Allocation Methodology are updated (i.e., by reference to other Tariff-defined sources). Nevertheless, the SSR Cost Allocation Methodology is both transparent and fixed in that it uses inputs derived from Tariff-defined sources, including the Commercial Model,⁶² the Network Model,⁶³ the State Estimator,⁶⁴ and the Attachment Y Reliability Study in order to allocate costs as required by MISO's Tariff. In addition, MISO's Business Practices Manual 5 (Market Settlements) details the use of the Network and Commercial Models (which in turn rely on the State Estimator) in the settlement process.⁶⁵ The use of these models and studies is not new in MISO's market processes and settlements and, in this instance, ensures that SSR costs are allocated to the LSEs which require the operation of the SSR Unit for reliability purposes, as required by MISO's Tariff, consistent with the Commission's directive in the SSR Cost Allocation

⁶¹ *See Va. Elec. & Power Co.*, 123 FERC ¶ 61,098, at P 31 (2008).

⁶² MISO, FERC Electric Tariff, Module A, § 1.C "Commercial Model" (38.0.0). MISO also provides further clarity and explanation in its BPM. *See* MISO Business Practices Manual, BPM-010-r8, § 4 at 23.

⁶³ MISO, FERC Electric Tariff, Module A, § 1.N "Network Model" (35.0.0). *See also* MISO Business Practices Manual, BPM-010-r8, § 3 at 11.

⁶⁴ MISO, FERC Electric Tariff, Module A, § 1.S "State Estimator" (41.0.0). *See also* MISO Business Practices Manual, BPM-010-r8, § 2 at 9.

⁶⁵ MISO Business Practices Manual, BPM-005-r14, § 2.4 at 29.

Compliance Order.⁶⁶ For example, the Commission has previously accepted a cost allocation methodology in the context of voltage or local reliability (VLR) commitments⁶⁷ that is similar to the SSR Cost Allocation Methodology in that the VLR methodology likewise relies on Tariff-defined sources of information.⁶⁸

30. We also disagree with the City of Escanaba's argument that the Commission erred in ordering a change to coincident peak load because there was no basis in the record to support such a change. Several parties raised this issue in their protests and the Commission ultimately determined, based on the record, that MISO had not justified its proposal to allocate SSR costs at the CPNode level based on a non-coincident monthly peak volume for each CPNode.⁶⁹

31. We disagree with the City of Escanaba's argument that the Commission erred by accepting MISO's compliance filing as just and reasonable while also finding technical deficiencies and find that the City of Escanaba's examples of supposed inconsistencies in the SSR Cost Allocation Compliance Order were taken out of context. In the SSR Cost Allocation Compliance Order, the Commission found that MISO "generally" complied with the directives of the February 2015 Order and directed MISO to make a compliance filing to address certain aspects of the methodology that had not been shown to be just and reasonable.⁷⁰ The Commission's acceptance of the compliance filing subject to further compliance does not constitute an internal inconsistency; rather, it reflects that there was enough record evidence for the Commission to find that, on balance, MISO's filing met the requirements of the February 15 Order, but that further specificity was required to ensure that the methodology is just and reasonable. For instance, the Commission accepted MISO's proposal to use uniform distribution factors to identify

⁶⁶ SSR Cost Allocation Compliance Order, 152 FERC ¶ 61,216 at PP 70-73.

⁶⁷ See *Midwest Indep. Transmission Sys. Operator, Inc.*, 140 FERC ¶ 61,171 (2012).

⁶⁸ For instance, the allocation methodology in section A.2 of Schedule 44 of the MISO Tariff determines available headroom through use of Unit Dispatch Data. Section A.3.c of Schedule 44 methodology also relies on non-public generator-specific information such as No Load Cost and Incremental Energy Cost. Additional section B.6.c of Schedule 44 describes how MISO determines the Elemental Pricing Nodes that impact VLR constraints.

⁶⁹ SSR Cost Allocation Compliance Order, 152 FERC ¶ 61,216 at P 72.

⁷⁰ *Id.* PP 70-73.

load that contributes to voltage violations or voltage stability issues, finding that all loads within the boundary benefit the same, regardless of geographical proximity to the generator, by keeping the SSR Units available to maintain area voltage stability.⁷¹ However, the Commission found that MISO did not properly explain how it would calculate those load distribution factors.⁷²

32. As for the Michigan Commission's and the Michigan Aligned Parties' argument that disclosing the end result of the allocation of SSR costs prior to the Attachment Y analysis of alternatives to SSR Units is necessary in order to enable LSEs to better understand their potential responsibility for SSR costs and participate in identifying any SSR alternative, we find that section 38.2.7 of the Tariff requires MISO to post on its OASIS the results of Attachment Y studies indicating reliability concerns. Such postings, which occur prior to the evaluation of alternatives, must include "how the associated SSR Unit costs would be allocated in the event that the Transmission Owner enters into an SSR Agreement." In this proceeding, and through stakeholder meetings, MISO has described to interested parties how the SSR costs would be allocated by describing the methodology through which such allocation would take place. Because the Commission has found MISO's cost allocation methodologies unjust and unreasonable or in need of additional revisions, it was not reasonably possible for MISO to provide the specific cost allocation results to the extent such methodologies were subject to review and revision by the Commission.⁷³

33. Last, we disagree that UPPCo and other customers were deprived of their due process rights under the Fifth Amendment of the U.S. Constitution. UPPCo and other parties were able to participate in MISO's stakeholder process leading up to the filing of the methodology on compliance and were given the opportunity to participate meaningfully in this proceeding.

c. Retroactive Application of Cost Allocation Methodology

i. SSR Cost Allocation Compliance Order

34. The Commission rejected all arguments relating to the ability of the Commission to order refunds of SSR costs as beyond the scope of compliance in the SSR Cost

⁷¹ *Id.* P 66.

⁷² *Id.* P 70.

⁷³ *See* MISO, FERC Electric Tariff, Module C, § 38.27, System Support Resources (42.0.0).

Allocation Compliance Order. The Commission also determined that it would not address implementation of the refund requirement for the Presque Isle, Escanaba, and White Pine SSR Units until MISO's SSR Cost Allocation Methodology is approved in its entirety and MISO has filed a detailed refund report.⁷⁴

ii. Requests for Rehearing

35. Several parties raise arguments that the Commission erred in making the SSR Cost Allocation Methodology effective on April 3, 2014 for the Presque Isle SSR Units (i.e., the refund effective date established in the Wisconsin Commission Complaint Order), as well as making it effective for the Escanaba SSR Units and the White Pine SSR Unit effective as of the effective date of their respective SSR agreements (i.e., April 16, 2014 for the White Pine SSR and June 15, 2014 for the Escanaba SSR Units). These parties also object to the Commission ordering refunds dating from these effective dates.⁷⁵ Related to these arguments, the Michigan Commission and the Michigan Aligned Parties also argue that the SSR Cost Allocation Compliance Order approved a new methodology for allocating costs in the ATC footprint that is different from the existing SSR cost allocation methodology applicable to the rest of the MISO region, and therefore, a new effective date must be established for prospective application.⁷⁶ The Michigan Commission and the Michigan Aligned Parties also argue that either retroactive or prospective application of the SSR Cost Allocation Methodology is problematic as the methodology itself does not include either the percentage of SSR cost responsibility or the dollar amount associated with an LSE's purchases of service, thereby denying customers adequate notice of the consequences of their purchasing decisions.⁷⁷ Moreover, the Michigan Aligned Parties argue that the rationale for a retroactive effective date in the Wisconsin Commission Complaint Order directing refunds back to

⁷⁴ SSR Cost Allocation Compliance Order, 152 FERC ¶ 61,216 at P 74.

⁷⁵ Michigan Commission Request for Rehearing at 3-8; Michigan Aligned Parties Request for Rehearing at 4-11; UPPCo Request for Rehearing at 10-14; City of Escanaba Request for Rehearing at 10-14. We decline to fully summarize these arguments here as they have largely been raised previously.

⁷⁶ Michigan Commission Request for Rehearing at 5; Michigan Aligned Parties Request for Rehearing at 5.

⁷⁷ Michigan Commission Request for Rehearing at 6-7; Michigan Aligned Parties Request for Rehearing at 6-7. UPPCo makes similar arguments. *See* UPPCo Request for Rehearing at 10-14.

April 3, 2014 does not apply to the new SSR allocation methodology approved more than a year later.⁷⁸

36. The City of Escanaba argues that the Commission has not yet “fixed” a new rate in this case, as is required under section 206 of the FPA. The City of Escanaba contends that in the formula rate context, the formula itself is the rate, and since the Commission keeps ordering MISO to change the formula, the applicable rate has not yet been “fixed” under section 206 of the FPA.⁷⁹ The City of Escanaba argues that the Commission has held that a formula rate is considered “fixed” under section 206 of the FPA when affected customers are able to “supply their own inputs to the formula and thereby know the numerical rates,” which the City of Escanaba argues cannot be done.⁸⁰

iii. Commission Determination

37. We reject all rehearing arguments related to the establishment of effective dates for the SSR Cost Allocation Methodology and the ability of the Commission to order refunds of SSR costs back to those effective dates (i.e., April 3, 2014 for the Presque Isle SSR Units, April 16, 2014 for the Escanaba SSR Units, and June 15, 2014 for the White Pine SSR Unit) as beyond the scope of the current proceeding, which involves the Commission’s prior acceptance of MISO’s new study methodology. In the February 2015 Order, the Commission upheld the establishment of the effective dates and refund obligations while indicating that it would address implementation of the refund requirement for the Presque Isle, Escanaba, and White Pine SSR Units when the Commission has approved MISO’s SSR Cost Allocation Methodology in its entirety and when MISO has filed a detailed refund report.⁸¹ In this order, we approve MISO’s SSR Cost Allocation Methodology in its entirety and, as discussed below, we direct MISO to file a detailed refund report within 45 days; thus, the Commission will address arguments related to the effective dates and refund obligations upon the filing of the refund report and upon addressing the requests for rehearing of the February 2015 Order.

⁷⁸ Michigan Aligned Parties Request for Rehearing at 7-8.

⁷⁹ City of Escanaba Request for Rehearing at 11-12.

⁸⁰ *Id.* at 12 (citing *Indep. Energy Producers Ass’n v. Cal. Indep. Sys. Operator Corp.*, 128 FERC ¶ 61,165 at P 2 (2009) (citing *City of Anaheim*, 558 F.3d 521, 524 (D.C. Cir. 2009))).

⁸¹ February 2015 Order, 150 FERC ¶ 61,104 at P 93 n.231; SSR Cost Allocation Compliance Order, 152 FERC ¶ 61,216 at P 74.

d. SSR Cost Allocation Methodology

i. SSR Cost Allocation Compliance Order

38. In the SSR Cost Allocation Compliance Order, the Commission limited the application of the SSR Cost Allocation Methodology to the Presque Isle, Escanaba, and White Pine SSR Units.⁸² The Commission rejected MISO's proposed Rate Schedule 43A determining that MISO was directed in the February 2015 Order to "submit an alternative methodology to the optimization-LBA approach specifically for the Presque Isle, Escanaba, and White Pine SSR Units."⁸³

ii. Requests for Rehearing

39. The Michigan Aligned Parties argue that the Commission erred when it limited the application of MISO's revised SSR Cost Allocation methodology to only the Presque Isle, Escanaba, and White Pine SSR Units. The Michigan Aligned Parties contend that the Commission re-established a form of rate discrimination by rejecting MISO's proposed generally applicable Rate Schedule 43A and ordering MISO to incorporate its proposed SSR Cost Allocation Methodology directly into the rate schedules applicable to the Presque Isle, Escanaba, and White Pine SSR Units. The Michigan Aligned Parties argue that the Commission cannot establish a discriminatory rate without justification.⁸⁴

iii. Commission Determination

40. We deny the Michigan Aligned Parties' request for rehearing, as we disagree with the Michigan Aligned Parties that by limiting the application of the SSR Cost Allocation Methodology to only the Presque Isle, Escanaba, and White Pine SSR Units we are establishing a discriminatory rate. As we stated in the SSR Cost Allocation Compliance Order, no findings were made as to whether the optimization-LBA approach outlined in MISO's Business Practice Manual, which was found to be inappropriate for the Presque Isle, Escanaba, and White Pine SSR Units, might produce just and reasonable cost allocations for other SSR Units.⁸⁵ Pursuant to the February 2015 Order, should MISO propose to apply the optimization-LBA approach in any future SSR rate schedule filings,

⁸² SSR Cost Allocation Compliance Order, 152 FERC ¶ 61,216 at PP 59-60.

⁸³ *Id.* P 59.

⁸⁴ Michigan Aligned Parties Request for Rehearing at 12-13.

⁸⁵ SSR Cost Allocation Compliance Order, 152 FERC ¶ 61,216 at P 60.

MISO must address the concerns with that methodology identified in the February 2015 Order and show that that methodology or whatever other methodology it uses allocates SSR costs to those LSEs that require the operation of the SSR Unit for reliability purposes consistent with its Tariff.⁸⁶

2. Compliance Matters

a. MISO's Compliance Filing

41. On October 8, 2015, MISO submitted its October Compliance Filing pursuant to the Commission's directives in the SSR Cost Allocation Compliance Order. MISO's October Compliance Filing addresses revisions to the methodology used by MISO to assign the costs associated with the Presque Isle, Escanaba, and White Pine SSR Units and adds additional detail that was directed by the Commission.

42. Pursuant to the SSR Cost Allocation Compliance Order, MISO revised the placement of the SSR Cost Allocation Methodology, which was originally proposed to be part of Rate Schedule 43A. MISO submitted revisions incorporating the methodology originally described in Rate Schedule 43A into the rate schedules applicable to the Presque Isle, Escanaba, and White Pine SSR Units (Rate Schedules 43G, 43, and 43H, respectively).⁸⁷

43. In addition, MISO revised the SSR Cost Allocation Methodology to include additional descriptions and adjustments to the methodology. MISO included a description of the calculation for load distribution factors in the new schedules under Step One, sub-section "a," with an expanded description in a footnote to the same sub-section.⁸⁸ Also, MISO revised its SSR Cost Allocation Methodology to include a description of the Daily Load Weighting Factor and the aggregate load distribution factor. The Daily Load Weighting Factor description is in a footnote contained in Step

⁸⁶ See February 2015 Order, 150 FERC ¶ 61,104 at P 86 n.210 (stating that "[w]e make no findings as to whether the BPM cost allocation methodology might produce just and reasonable cost allocations for other SSR Units. If MISO proposes to apply its BPM methodology in future filings, MISO must address the concerns with the methodology that we identify here and show that the methodology allocates SSR costs to those LSEs that require the operation of the SSR Unit for reliability purposes, such that assignment of costs is commensurate with the benefits received by such LSEs.").

⁸⁷ MISO October Compliance Filing at 2.

⁸⁸ *Id.* at 2-3.

Four, sub-section “a” of the methodology. The aggregate load distribution factor is located in a new sub-section within Step Four, which contains an equation that defines the term using the load distribution factors that are introduced in Step One of the cost allocation methodology.⁸⁹

44. In response to the Commission’s directives, MISO revised its SSR Cost Allocation Methodology to remove the 80 percent threshold from the SSR cost allocation. In order to accomplish this, MISO deleted procedures that were originally proposed in Step One, sub-section “a”, parts “iii” through “vii”.⁹⁰ MISO also changed the references in its SSR Cost Allocation Methodology from “non-coincident peak volume” to “volume during the coincident peak hour” in Step Three of the cost allocation methodology.⁹¹

b. Protests

45. The City of Escanaba argues that the SSR Cost Allocation Methodology has not been shown to be just and reasonable. The City of Escanaba contends that the actual impacts on customers are not known and MISO has failed to demonstrate that its methodology accurately identifies beneficiaries of the applicable SSR Units. The City of Escanaba argues that the Commission should exercise its discretion to apply the new SSR Cost Allocation Methodology only on a prospective basis.⁹²

46. The City of Escanaba submits that MISO has not changed its cost allocation on compliance. The City of Escanaba states that the underlying study results on affected EPNodes, cited in the October Compliance Filing, are the same results used in support of MISO’s May Compliance Filing. The City of Escanaba argues that MISO has not provided an explanation for the results, as it appears that the results remain completely unchanged after removing the 80 percent cutoff.⁹³

47. In addition, the City of Escanaba reiterates its objection to the proposed retroactive effective dates for the compliance rate schedules included in the October Compliance

⁸⁹ *Id.* at 4.

⁹⁰ *Id.* at 3.

⁹¹ *Id.*

⁹² City of Escanaba Protest at 3-4.

⁹³ *Id.* at 4.

Filing. The City of Escanaba also suggests that the Commission order MISO to file a detailed refund report which specifically includes information on surcharges.⁹⁴

48. The City of Escanaba and the Mines argue that MISO's October Compliance Filing is insufficiently detailed to adequately analyze whether MISO has indeed complied with the SSR Cost Allocation Compliance Order. The City of Escanaba states that MISO did not provide any substantive discussion or supporting testimony describing if any of the changes to the methodology had an impact on the results.⁹⁵ The Mines state that MISO's October Compliance Filing offers no supporting description that justifies MISO's use of the Daily Load Weighting Factor.⁹⁶

49. The Mines argue that MISO's use of the Daily Load Weighting Factor contravenes the Commission's directive to allocate SSR Costs based on coincident system peak loads. The Mines contend that rather than carry the coincident peak approach throughout MISO's allocation formula, MISO inexplicably utilizes Daily Load Weighting Factor in Step Four of its proposed methodology to determine the portion of the Load Zone CPNode benefitting from the SSR for the billing month.⁹⁷

50. The Mines argue that Daily Load Weighting Factors are not well-suited for transmission allocations because they are a daily energy ratio based on state estimated data from real time operations. The Mines argue that a daily (24 hour) energy ratio from data supplied by the State Estimator in real time, without regard to whether such a period was during a system coincident peak load, is not an appropriate basis for SSR cost allocation because the purpose of the SSR Cost Allocation Methodology, as defined by the Commission, is to allocate costs to loads that benefit from the SSR operation during periods of system coincident peak loads.⁹⁸

51. The Mines argue that a monthly coincident peak weighting factor is needed for each EPNode associated with the Load Zone CPNode in order to permit mapping of the monthly peak CPNode to the EPNodes in Step Four of MISO's proposed SSR cost allocation process. The Mines state that this approach will maintain synchronism

⁹⁴ *Id.* at 5.

⁹⁵ *Id.*

⁹⁶ The Mines Protest at 7.

⁹⁷ *Id.*

⁹⁸ *Id.* at 8.

throughout the totality of the SSR cost allocation process and consistency with other, traditional coincident peak-based cost allocations.⁹⁹

52. The Michigan Commission argues that the formula set forth in MISO's October Compliance Filing is complicated and it is difficult to determine the end result allocation. The Michigan Commission argues that absent such end result, there is no basis for determining whether the SSR Cost Allocation Methodology produces a just and reasonable allocation of SSR costs. The Michigan Commission argues that in the October Compliance Filing, MISO explained that rather than using the coincident peak volume for the system, it has calculated the peak hour for purposes of determining actual energy withdrawal volumes based on the CPNodes that contain impacted load buses. The Michigan Commission argues that withdrawals at the CPNodes impacted by MISO's study do not necessarily correspond to the MISO system coincident peak. The Michigan Commission requests that the Commission facilitate the analysis and understanding of the SSR Cost Allocation Methodology by directing MISO to provide calculation of the actual coincident peak and the resulting allocation of SSR costs that would be produced by the new methodology.¹⁰⁰

c. Commission Determination

53. We find that the October Compliance Filing complies with the directives of the SSR Cost Allocation Compliance Order. We accept Revised Tariff Schedule 43, to be effective June 15, 2014; Revised Tariff Schedule 43G, to be effective April 3, 2014; and Revised Tariff Schedule 43H, to be effective April 16, 2014. We direct MISO to file a detailed refund report within 45 days of the date of this order, including a description of how MISO intends to effectuate the payment of refunds to those LSEs that were overcharged under the optimization LBA-approach formerly used for the Presque Isle SSR Units, the Escanaba SSR Unit, and the White Pine SSR Unit.

54. We reject the City of Escanaba's and the Michigan Commission's arguments raising objections to the SSR Cost Allocation Methodology as a collateral attack on the SSR Cost Allocation Compliance Order. We note that we address above similar arguments raised by City of Escanaba and the Michigan Commission raised on rehearing of the SSR Cost Allocation Compliance Order. We also reject the City of Escanaba's objection to the proposed retroactive effective dates for the Presque Isle, Escanaba, and White Pine SSR Units for the same reasons as discussed above in our determinations on similar requests for rehearing of the SSR Cost Allocation Compliance Order.

⁹⁹ *Id.* at 9.

¹⁰⁰ Michigan Commission Protest at 3.

55. In response to the City of Escanaba's argument that MISO has not changed its cost allocation on compliance, we reaffirm that MISO complied with the directives of the SSR Cost Allocation Compliance Order, including the directive that MISO remove the 80 percent threshold, and the City of Escanaba's concern regarding the specific allocation of costs will be addressed when MISO files a detailed refund report.

56. We reject arguments that the October Compliance Filing is insufficiently detailed. We find that MISO has complied with Commission's directives to provide clarification and additional detail to the respective Tariff schedules.

57. Last, we reject arguments that MISO's use of the Daily Load Weighting Factor in Step Four of the SSR Cost Allocation Methodology contravenes the Commission's directives. The Commission directed MISO to use coincident peak rather than non-coincident peak and to explain the term Daily Load Weighting Factor to the extent it still exists in its revised Tariff, but did not direct MISO to remove the Daily Load Weighting Factor from Step Four of the methodology. Regarding the Mines' argument that a monthly coincident peak weighting factor is needed for each EPNode, the Mines should have raised this issue on rehearing of the SSR Cost Allocation Compliance Order and we consider it a collateral attack on the SSR Cost Allocation Compliance Order. In any event, we interpret Schedule 43 as determining the EPNode Volume by multiplying the monthly peak for each CPNode by the Daily Load Weighting Factor for that corresponding monthly peak. Consequently, there is no inconsistency between use of the coincident peak CPNode data and the Daily Load Weighting Factor.

The Commission orders:

(A) We deny the requests for rehearing of the SSR Cost Allocation Compliance Order, as discussed in the body of this order.

(B) We accept Revised Tariff Schedule 43, to be effective June 15, 2014; Revised Tariff Schedule 43G, to be effective April 3, 2014; and Revised Tariff Schedule 43H, to be effective April 16, 2014; as discussed in the body of this order.

(C) We direct MISO to file a detailed refund report within 45 days of the date of this order, as discussed in the body of this order.

By the Commission. Commissioner Honorable is not participating.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.