162 FERC ¶ 61,063
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Kevin J. McIntyre, Chairman;
Cheryl A. LaFleur, Neil Chatterjee,
Robert F. Powelson, and Richard Glick.

Midcontinent Independent System Operator, Inc. Docket No. ER18-364-000

ORDER ACCEPTING TARIFF REVISIONS

(Issued January 29, 2018)

1. On November 30, 2017, pursuant to section 205 of the Federal Power Act (FPA),[1] Midcontinent Independent System Operator, Inc. (MISO) submitted revisions to its Open Access Transmission, Energy and Operating Reserve Markets Tariff (Tariff) to establish new Cost Allocation Zones for Texas and Louisiana for purposes of allocating costs of Market Efficiency Projects.[2] As discussed below, we accept MISO's proposed Tariff revisions but deny its requested waiver of the prior notice requirement.

I. Background

2. Currently, MISO's Tariff provides that 80 percent of the costs of a Market Efficiency Project will be allocated to the Local Resource Zones (as shown in Attachment WW) that benefit from the project, based on each zone's relative share of the project's adjusted production cost benefits. The remaining 20 percent of the costs of a Market Efficiency Project is allocated system-wide in the Planning Area(s) in which the

[1] 16 U.S.C. § 824d (2012).

[2] Market Efficiency Projects are currently defined in Section 1.M of the Tariff as: "Network Upgrades proposed by the Transmission Provider, Transmission Owner(s), ITC(s), Market Participant(s), or regulatory authorities as providing market efficiency benefits to one or more Market Participant(s), but not determined by the Transmission Provider to be Multi Value Projects and provide sufficient market efficiency benefits as determined by the Transmission Provider to justify inclusion into the [MISO Transmission Expansion Plan (MTEP)]."

project is located.[3] MISO uses these same Local Resource Zones for purposes of resource adequacy (Attachment VV).

3. In initially approving the use of Local Resource Zones for purposes of both Market Efficiency Project cost allocation and resource adequacy in 2012, the Commission stated that the Local Resource Zones in the Attachments WW and VV would not necessarily need to continue to have the same boundaries, but that MISO would need to distinguish between Local Resource Zones used for cost allocation purposes and Local Resource Zones used for resource adequacy purposes if their boundaries were to differ in the future.[4] In 2013, the Commission accepted MISO's proposal to create one state-specific Local Resource Zone for Arkansas and another Local Resource Zone for Texas, Louisiana, and Mississippi.[5] In 2015, the Commission accepted MISO's proposal to create a Mississippi state-specific Local Resource Zone for both resource adequacy and cost allocation purposes.[6]

II. <u>Filing</u>

4. In its November 30 filing, MISO proposes Tariff revisions to establish new Cost Allocation Zones for determining the allocation of the costs of new Market Efficiency Projects. The proposed Tariff revisions would replace references to Local Resource

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[3] *See* MISO, FERC Electric Tariff, Attachment FF, § III.A.2.f (61.0.0). Currently, there are two Planning Areas in MISO. The First Planning Area, MISO North, comprises the MISO utilities that have historically been in MISO while the Second Planning Area, MISO South, comprises the former Entergy Services, Inc. (Entergy) operating companies. MISO's current Tariff states that, after the Transition Period for integrating the MISO South region into MISO ends in December 2018, 20 percent of the costs of a Market Efficiency Project will be allocated system-wide across the entire MISO footprint, regardless of where the project is located within MISO. With respect to the instant filing, the Hartburg-Sabine Junction 500 kV Economic Project (H-S Project), discussed more fully below, is located entirely in the Second Planning Area; thus, the 20 percent of its costs allocated on a system-wide basis will be allocated only to the Second Planning Area.

[4] MISO Filing, Transmittal at 2 (citing *Midwest Indep. Transmission Sys. Operator, Inc.*, 139 FERC ¶ 61,261, at P 47 (2012) (2012 Order)).

[5] *Midcontinent Indep. Sys. Operator, Inc.*, 144 FERC ¶ 61,232 (2013). This proposal was accepted subject to the outcome of the proceeding in Docket No. ER11-4081-002.

[6] *Midcontinent Indep. Sys. Operator, Inc.*, 152 FERC ¶ 61,061 (2015).

Zones in Attachment WW with references to Cost Allocation Zones, thereby distinguishing these zones used for purposes of cost allocation from the Local Resource Zones used for resource adequacy purposes, which would continue to be referenced in Attachment VV of the Tariff.[7] Moreover, MISO proposes to create state-specific Cost Allocation Zones for Louisiana and Texas, which currently share a Local Resource Zone for both resource adequacy and cost allocation purposes. MISO proposes to make corresponding edits to the map of Local Resource Zones in Attachment WW and to Attachment FF, and to add a definition for Cost Allocation Zones to section 1.C of its Tariff.[8]

5. According to MISO, representatives for the Louisiana Public Service Commission (Louisiana Commission) and the Public Utility Commission of Texas (Texas Commission) contacted MISO to discuss options for allocating the costs of Market Efficiency Projects between Louisiana and Texas on a prospective basis. MISO explains that it analyzed a scenario whereby Texas would be placed in its own Cost Allocation Zone for a specific project under consideration in the MISO regional transmission planning process, the H-S Project.[9] MISO states that it found that under a scenario of separate Cost Allocation Zones for Texas and Louisiana, the costs and benefits for the H-S Project would be closely aligned for ratepayers in each state, unlike the disparity between costs and benefits that would result under the existing Tariff. MISO states that under the existing Tariff, with both states included in the same zone, the larger load located in Louisiana would be allocated the majority of the H-S Project costs, even though most of the adjusted production cost benefits of the H-S Project accrue to the smaller load located in the Texas portion of the zone. Under a scenario of separate Cost Allocation Zones for Texas and Louisiana, MISO demonstrates that Texas' share of the benefits of the H-S Project is 75.01 percent and its share of the costs is 62.52 percent; Louisiana's share of the benefits is 24.99 percent and its share of the costs is 30.52 percent. Under the existing Tariff where both states are in the same zone, MISO

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[7] MISO explains that Attachment VV of the Tariff would remain unchanged under its proposal and will continue to use the Local Resource Zone terminology to refer to resource adequacy zones, and that Louisiana and Texas would continue to share a Local Resource Zone for resource adequacy purposes.

[8] MISO Filing, Transmittal at 4.

[9] The H-S Project is a proposed new Market Efficiency Project that is recommended for inclusion in the 2017 MTEP.

demonstrates that Texas' share of the costs would be 17.89 percent and Louisiana's share of the costs would be 75.12 percent.[10]

6. MISO states that after sharing its analysis with the Louisiana Commission, the Texas Commission, the Council of the City of New Orleans, and representatives of the Entergy Regional States Committee, the Louisiana Commission and the Texas Commission sent letters requesting that MISO file the proposed Tariff revisions with the Commission prior to the MISO Board of Directors December meeting at which the Board of Directors was expected to approve the 2017 MTEP, including the H-S Project. On November 28, 2017, MISO shared these letters with stakeholders. MISO filed the proposed revisions with the Commission two days later, on November 30, 2017.[11]

7. MISO asserts that the proposed revisions are just and reasonable, reflect the interests of stakeholders, and result in more appropriate alignment of costs and benefits for the H-S Project "and all future Market Efficiency Projects" consistent with the Commission's policy on cost allocation.[12] MISO states that its proposal does not change the underlying cost allocation method for Market Efficiency Projects in the existing Tariff. Further, MISO explains that the Cost Allocation Zones, including the new Texas and Louisiana Cost Allocation Zones, will continue to strike an appropriate balance between increased granularity in the calculation of the benefits of Market Efficiency Projects (to help ensure that costs are allocated to those who benefit), and the uncertainty that can arise from the calculation of benefits on a more granular level (based on factors that may change over time, particularly as benefits are calculated farther into the future).[13]

8. MISO notes that the proposed boundary revision would not change the allocations of costs for Market Efficiency Projects approved prior to the effective date of this revision, does not affect the cost allocation for the Second Planning Area Transition Period, does not impact entities outside of the Second Planning Area, and does not change the allocation of costs for the H-S Project to the other zones in the Second Planning Area. MISO emphasizes that the proposed revisions better align costs and

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[10] MISO Filing, Transmittal at 5-6; *id.*, Tab D, Affidavit of Jesse W. Moser, Attachment A, Appendix at 11 and Attachment B at 7.

[11] *Id.* at 6, 8. MISO's Board of Directors subsequently postponed the vote on whether to approve the H-S Project until February 5, 2018.

[12] *Id.* at 6.

[13] *Id.* at 6-7.

benefits, consistent with Commission policy, for both the H-S Project and future Market Efficiency Projects.[14]

9. MISO requests waiver of the prior notice requirement to allow the proposed changes to go into effect on December 1, 2017, one day after filing. MISO explains that the proposed revisions would apply to the H-S Project, proposed for inclusion in the 2017 MTEP, and would better align costs and benefits for this project, as well as for future Market Efficiency Projects. MISO states that no parties would be prejudiced, and that the Commission has previously granted waivers in similar circumstances.[15]

III. Notice of Filing and Responsive Pleadings

10. Notice of the November 30 filing was published in the *Federal Register*, 82 Fed. Reg. 57,734 (2017), with interventions and protests due on or before December 21, 2017. Notices of intervention were filed by the Council of the City of New Orleans, Louisiana (City of New Orleans Council), the Arkansas Public Service Commission, the Missouri Public Service Commission, the Mississippi Public Service Commission, and the Organization of MISO States. The Texas Commission and the Louisiana Commission each filed a notice of intervention and comments. Timely motions to intervene were filed by the NRG Companies;[16] the City of Alexandria, Louisiana; LSP Transmission Holdings, LLC and Verdant Plains Electric, LLC; Lafayette Utilities System; Midcontinent MCN LLC; Exelon Corporation; Ameren Services Company;[17] MISO

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[14] *Id.* at 7.

[15] *Id.* at 8-9 (citing *Midwest Indep. Transmission Sys. Operator, Inc.*, 133 FERC ¶ 61,221, at P 503 (2010) (the Commission granted waiver where the proposed cost allocation was intended to apply to the current MTEP year); *New York Indep. Sys. Operator, Inc.*, 155 FERC ¶ 61,037 (2016) (the Commission granted waiver when requested to implement certain aspects of on-going planning cycles for competitive projects)).

[16] For purposes of this filing, NRG Companies are NRG Power Marketing LLC and GenOn Energy Management, LLC.

[17] Ameren Services Company, a wholly-owned subsidiary of Ameren Corporation, is filing on behalf of its affiliated public utility operating companies, Ameren Illinois Company, Ameren Transmission Company of Illinois, and Union Electric Company d/b/a Ameren Missouri.

Transmission Owners;[18] and American Municipal Power, Inc. Timely motions to intervene and comments were filed by Louisiana Energy Users Group, East Texas Electric Cooperative, Inc. (East Texas), and Entergy.[19] Motions for leave to answer and answer were filed by MISO, and the Louisiana Commission and the City of New Orleans Council. East Texas filed a motion to reply to answers and reply to the answers filed by MISO and the Louisiana Commission and the City of New Orleans Council.

11. The Texas Commission, the Louisiana Commission, and Entergy all filed comments in support of MISO's proposed Tariff revisions. According to the Texas Commission, the data appears to indicate that the Tariff changes would more closely align costs with long-term benefits and reflect more granular analysis for the H-S Project and any Market Efficiency Projects identified in future MISO MTEP processes than if Texas remained combined with Louisiana for purposes of Market Efficiency Project-cost allocation.[20] The Louisiana Commission states that MISO's proposed revisions will

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

[19] Entergy filed on behalf of the Entergy operating companies: Entergy Arkansas, Inc.; Entergy Louisiana, LLC; Entergy Mississippi, Inc.; Entergy New Orleans, LLC; and Entergy Texas, Inc.

[20] Texas Commission Comments at 5.

result in a just and reasonable allocation of costs roughly commensurate with benefits.[21] Entergy asserts that MISO's proposal will ensure a better alignment of costs and benefits for the H-S Project and future projects, is consistent with Commission precedent, and reflects a reasoned response to a request from the most affected retail regulators.[22]

12. The Louisiana Energy Users Group supports MISO's filing and states that it is not unjust or unreasonable, but only supports it as an interim measure for the purpose of addressing cost allocation issues for the H-S Project. The Louisiana Energy Users Group argues that there are serious, fundamental problems with MISO's transmission cost allocation methods for Market Efficiency Projects and Multi-Value Projects. The Louisiana Energy Users Group asks the Commission not to make any findings regarding whether MISO's overall cost allocation methods are just and reasonable in approving the changes proposed in the instant filing.[23]

13. East Texas states that while it supports the H-S Project, it objects to the creation of the new Cost Allocation Zones. East Texas states that MISO's proposed Tariff revisions would shift 45 percent of the H-S Project's cost from Louisiana to Texas, with East Texas paying approximately $1.7 million a year under MISO's proposal, $1.2 million more a year than it would pay under the existing MISO Tariff.[24]

14. East Texas further asserts that it is not just and reasonable to change a cost allocation on a project-specific basis to equalize benefit-cost ratios for pricing zones. East Texas observes that, in the 2012 proceeding where the Commission approved seven Local Resource Zones, MISO conducted its cost-benefit analysis for Market Efficiency Project cost allocation at the Local Resource Zone level.[25] East Texas states that the Illinois Commerce Commission, however, argued for a more granular analysis at the transmission pricing zone level. According to East Texas, the Commission stated that such an analysis need not be done on a customer-by-customer or load-zone by load-zone basis.[26] East Texas argues that MISO has not explained why the Commission's rationale from that proceeding does not apply in this case. East Texas further argues that changing

[21] Louisiana Commission Comments at 2.

[22] Entergy Comments at 2-4.

[23] Louisiana Energy Users Group Comments at 3-5.

[24] East Texas Protest at 1, 4.

[25] *Id.* at 5 (citing 2012 Order, 139 FERC ¶ 61,261 at PP 38-48).

[26] *Id.* (citing 2012 Order, 139 FERC ¶ 61,261 at P 40).

Cost Allocation Zone boundaries in this case will set the precedent to do the same for each future project.[27]

15. In addition, East Texas asserts it should not be bound by an agreement among parties who are not directly paying for the facilities. East Texas explains that MISO's lack of notice to stakeholders until two days before filing did not allow East Texas and other stakeholders to provide input on the proposal. Further, East Texas argues that the timing of MISO's filing and the MISO Board of Directors' subsequent decision to delay approval of the H-S Project instead of considering it along with the other 2017 MTEP projects the Board of Directors approved in December demonstrate that the Tariff revisions reflect an H-S Project-specific cost allocation. According to East Texas, if the parties had known in advance how the allocation of the costs of the H-S Project might change, they might have preferred or advocated for other projects.[28]

16. Moreover, East Texas contends that MISO has not justified the proposed cost allocation that would result from the Tariff revisions because it did not explain the method, allocation, and calculation of benefits among the pricing zones or provide the underlying data. Additionally, East Texas notes that MISO's analysis does not account for more-efficient replacement generation that is on the way, including Entergy's 993 MW Montgomery County combined cycle project for the MISO Texas area, which could reduce the H-S Project's benefits. It also criticizes the lack of a basis in the Tariff for designating Cost Allocation Zones, unlike Tariff provisions that govern the designation and changes to Local Resource Zone boundaries (i.e., MISO Tariff, Module E-1, Section 68A.3).[29]

17. East Texas argues that the Commission should deny MISO's request for waiver of the prior notice requirement and that if the Commission does not summarily reject the filing, the Commission should suspend the MISO proposal and set it for hearing.[30]

18. In its answer, MISO explains that its proposal would resolve the disparity resulting from the fact that most of the benefits of the H-S Project would accrue to the Texas pricing zone, but most of the costs would be borne by the pricing zones in Louisiana. MISO argues that East Texas' arguments would require the Commission to allow Texas to enjoy the benefits of the H-S Project without paying a commensurate share of the

[27] *Id.* at 5-7.

[28] *Id.* at 7-9.

[29] *Id.* at 9-11.

[30] *Id.* at 13.

costs, which is contrary to Commission precedent stating that benefits and costs should be "roughly commensurate."[31] Further, MISO states that its proposal to create separate Cost Allocation Zones for Texas and Louisiana is consistent with Commission precedent in that the proposal strikes an appropriate balance between increased granularity and the uncertainty arising from calculating benefits on a more granular level. According to MISO, the H-S Project benefit analysis has not changed, and the issue raised by East Texas regarding the 993 MW Montgomery County combined cycle project was addressed in the stakeholder process.[32]

19. MISO further argues that creating a Texas Cost Allocation Zone that includes a single transmission pricing zone is not unique because two other Cost Allocation Zones contain only one transmission pricing zone. In addition, similar to what it is proposing here, MISO states that several of its existing Cost Allocation Zones are largely within one state, including the zones in Illinois, Missouri, Indiana, Michigan, Arkansas, and Mississippi. MISO explains that Cost Allocation Zones that cross state boundaries generally do so because one or more member utilities within those states has operations that cross state boundaries.[33]

20. MISO agrees that Commission precedent does not require MISO to allocate costs by transmission pricing zone for a particular project. However, MISO states that the disparity identified between Texas and Louisiana for the H-S Project is likely to continue for future projects if no changes are made to the zonal boundaries between Texas and Louisiana. MISO adds that it is appropriate to modify the zonal boundaries when examining the benefits and costs between states with different load profiles. MISO states that this proposal is consistent with the move to seven Local Resource Zones from three subregional planning areas, as was done in the 2012 Order, and consistent with the creation of a separate Local Resource Zone for Mississippi. MISO asserts that, contrary to comments of East Texas, the Commission has a "just and reasonable" standard for evaluating proposed modifications to Cost Allocation Zone boundaries, and the

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[31] MISO Answer at 6 (citing *Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities*, Order No. 1000, FERC Stats. & Regs. ¶ 31,323 (2011), *order on reh'g,* Order No. 1000-A, 139 FERC ¶ 61,132, *order on reh'g and clarification*, Order No. 1000-B, 141 FERC ¶ 61,044 (2012), *aff'd sub nom. S.C. Pub. Serv. Auth. v. FERC*, 762 F.3d 41 (D.C. Cir. 2014)).

[32] *Id.* at 6-9.

[33] For example, in Cost Allocation Zone 1, Northern States Power Company has operations in the states of Minnesota, North Dakota, South Dakota, and Wisconsin. *Id.* at 10.

Commission has broad discretion in determining reasonableness.[34] Because MISO's proposal closely aligns costs and benefits now and into the future, MISO states that its proposal is just and reasonable.[35]

21. The Louisiana Commission and the City of New Orleans Council observe in their answer that East Texas does not dispute MISO's cost-benefit calculation associated with the H-S Project and does not allege that the costs it will pay as a result of MISO's proposal are not roughly commensurate with the benefits it will receive. The Louisiana Commission and the City of New Orleans Council state that the timeline associated with this filing was unavoidable, and the decisions of the Texas Commission and the Louisiana Commission approving letters to MISO on this issue were public as of November 17, 2017. The Louisiana Commission and the City of New Orleans Council assert that MISO's proposal is not being done on a project-specific basis because the H-S Project is the first and only Market Efficiency Project to date for the MISO South region, and if MISO's proposal is accepted, the costs of all future Market Efficiency Projects will be allocated subject to the split configuration. They further state that East Texas's argument that parties may have made different decisions had they been presented with the revisions earlier is unfounded given East Texas' statement in its protest that it supports the H-S Project "whatever the cost allocation."[36]

22. In its reply, East Texas emphasizes that the issue in this proceeding is whether it is just and reasonable for MISO to reallocate $57.8 million of the costs of the H-S Project from Louisiana to Texas without any stakeholder input. East Texas reiterates that allocation of costs on a project-specific basis by changing the boundaries without any standards cannot be just and reasonable. East Texas also questions MISO's reliance on the approval of the Mississippi Local Resource Zone as justification for a Texas-only Cost Allocation Zone because, according to East Texas, the approval of the Mississippi Local Resource Zone was done through a delegated letter order. East Texas argues that there was not adequate notice that it would be allocated additional costs, and states that MISO failed to provide 30 days' notice as required by Appendix K of the Transmission Owners Agreement. East Texas also reiterates that pulling the H-S Project from the 2017 MTEP approval queue is not just and reasonable. East Texas maintains that MISO has not provided sufficient data on the benefit allocation to justify the allocation of costs for

[34] *Id.* at 11 (citing *La. PSC v. Entergy Corp.*, 153 FERC ¶ 61,188 (2015) (citing *Am. Pub. Power Ass'n v. FPC*, 522 F.2d 142 (D.C. Cir. 1975))).

[35] *Id.* at 10-11.

[36] Louisiana Commission and City of New Orleans Council Answer at 2-7 (citing East Texas Protest at 9).

this project, arguing that there is an anti-Texas bias in MISO's calculation. Finally, East Texas asserts that MISO's proposed Tariff language is unjust and unreasonable because there are no substantive standards on Cost Allocation Zone Boundary determination and no provisions for a stakeholder process.[37]

IV. Discussion

A. Procedural Matters

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

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

B. Substantive Matters

25. We accept MISO's proposed Tariff revisions as just and reasonable. In the 2012 Order, the Commission stated that MISO should distinguish Local Resource Zones from zones used to allocate transmission facility costs should they differ in the future, and we find that MISO has done so in this filing. Additionally, we find that the creation of separate Cost Allocation Zones for Louisiana and Texas is just and reasonable because it results in an allocation of costs that is at least roughly commensurate with the benefits of Market Efficiency Projects.[38] As demonstrated by MISO's analysis of the H-S Project, placing Louisiana and Texas in separate Cost Allocation Zones more closely aligns those assigned the costs of a Market Efficiency Project with that project's beneficiaries.[39]

26. Notably, MISO is not proposing to change the adjusted production cost-benefit calculation for Market Efficiency Projects in the instant proposal, and instead is splitting

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[37] East Texas Reply at 2-9.

[38] *See ICC v. FERC*, 576 F.3d 474 at 477 (finding that the Commission "does not have to calculate benefits to the last penny, or for that matter, to the last million or ten million or perhaps hundred million dollars"; it merely must demonstrate that "it has an articulable and plausible reason" to believe that the benefits are at least roughly commensurate with costs).

[39] *See* MISO Filing, Transmittal at 5-6; *id*., Tab D, Affidavit of Jesse W. Moser, Attachment A, Appendix at 11 and Attachment B at 7.

a larger zone into two smaller zones (i.e., a Texas zone and a Louisiana zone). This split means that the Texas zone may be allocated more costs for some Market Efficiency Projects (e.g., the proposed H-S Project) and less for others, but the underlying Market Efficiency Project cost allocation method that identifies beneficiaries using projected adjusted production cost savings remains unchanged. Specifically, MISO will continue to use projected adjusted production cost savings to calculate benefits of a Market Efficiency Project and to allocate 80 percent of the costs of such project to Cost Allocation Zones based on those savings. Within each Cost Allocation Zone, the costs are further allocated to each pricing zone based on load ratio share, such that costs are allocated in a manner that is at least roughly commensurate with benefits.

27. We agree that splitting the single Local Resource Zone for Texas and Louisiana into two separate Texas and Louisiana Cost Allocation Zones for purposes of Market Efficiency Project cost allocation, as MISO proposes, makes the adjusted production cost savings analysis more granular and arguably increases the precision with which beneficiaries are identified and costs are thus allocated. For example, MISO's calculation of adjusted production cost benefits for the H-S Project shows Texas' share of benefits from the project to be greater than the benefits received by Louisiana and the resulting allocation assigns costs in a manner that is at least roughly commensurate with benefits. Under the existing zonal configuration, however, Texas would bear less of the costs than Louisiana.[40] Importantly, we also note that in both its transmittal and its answer, MISO states that its proposed changes help ensure proper alignment of costs and benefits for future Market Efficiency Projects.[41]

28. We also find that, consistent with the Commission's acceptance of the Arkansas Local Resource Zone in 2013 and the Mississippi Local Resource Zone in 2015, the creation of separate Cost Allocation Zones for Louisiana and Texas, based on state boundaries, is just and reasonable. As MISO observes in its answer, using state boundaries to establish Cost Allocation Zones is generally consistent with all the other Cost Allocation Zones in MISO, and with the proposed change to separate Texas and Louisiana, all the Cost Allocation Zones in MISO South will now follow state boundaries (Texas, Louisiana, Mississippi and Arkansas). In particular, we note that the Texas Commission concurs with MISO and the Louisiana Commission that creation of a Texas-only Cost Allocation Zone better aligns costs and benefits for future Market Efficiency Projects even though the Texas Cost Allocation Zone will be allocated more costs for the H-S Project as a result of the zone split. We disagree with East Texas's arguments questioning MISO's reliance on the Commission's acceptance of the creation of the

[40] *See supra* P 5.

[41] MISO Filing, Transmittal at 5-8; MISO Answer at 2, 11.

Mississippi Local Resource Zone, as that order supports the Commission's acceptance of Cost Allocation Zones based on state boundaries as just and reasonable.[42]

29. We also disagree with East Texas's assertion that MISO's proposal to use Cost Allocation Zones is inconsistent with the Commission's prior statements in the 2012 Order regarding the appropriate level of granularity for cost allocation. The Commission has accepted several of MISO's proposals to change the granularity with which it allocates costs for new transmission facilities, including in the 2012 Order itself, which replaced three MISO sub-regions with seven Local Resource Zones for purposes of Market Efficiency Project cost allocation, as well as the Commission order accepting Arkansas as a stand-alone zone.

30. With respect to East Texas's assertion that MISO's explanation of the method, allocation, and calculation of benefits for the H-S Project was inadequate, we reiterate that MISO has not proposed to change its cost allocation method for Market Efficiency Projects in the instant filing. If East Texas believes that MISO's allocation of costs pursuant to the new Tariff revisions is erroneous, it may file a complaint with the Commission.[43] We also disagree with East Texas' arguments that the proposed Tariff language is unjust and unreasonable because we find that East Texas' concerns regarding substantive standards and stakeholder process are outside of the scope of this proceeding. As we note above, MISO is not proposing to change the adjusted production cost-benefit calculation that governs the allocation of costs for Market Efficiency Projects in the instant proposal. MISO also has provided a sufficient basis for the Commission to find that the creation of a Texas-only Cost Allocation Zone is just and reasonable, and it was not proposing to implement new procedures for approval of Cost Allocation Zones in the future.

31. With respect to concerns raised by the Louisiana Energy Users Group regarding MISO's transmission cost allocation methods more generally, we note that those matters are beyond the scope of this proceeding because MISO has not proposed any changes to its cost allocation methods.

32. We deny MISO's request for waiver of the prior notice requirement to allow the Tariff revisions to take effect as of December 1, one day after filing. We find MISO did

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[42] We note that East Texas incorrectly characterized the order accepting the creation of the Mississippi Local Resource Zone as a delegated letter order rather than a Commission order. *See supra* P 3, n.6.

[43] Additionally, we are not persuaded by East Texas's assertions of insufficient notice to stakeholders given the opportunity of stakeholders to comment in this proceeding, nor are we persuaded by East Texas' arguments that MISO violated the notice requirements of Appendix K of the Transmission Owners' Agreement.

not sufficiently justify granting such waiver. Therefore, MISO's proposed Tariff revisions will be effective on January 30, 2018, 60 days after the date of its filing.

The Commission orders:

MISO's revised tariff records are hereby accepted, effective January 30, 2018, as discussed in the body of this order.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.