

134 FERC ¶ 61,028
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinghoff, Chairman;
Marc Spitzer, Philip D. Moeller,
John R. Norris, and Cheryl A. LaFleur.

Midwest Independent Transmission
System Operator, Inc.

Docket No. ER11-2113-000

ORDER ACCEPTING PROPOSED
TARIFF REVISIONS

(Issued January 14, 2011)

1. On November 15, 2010, Midwest Independent Transmission System Operator, Inc. (Midwest ISO)¹ and certain Midwest ISO Transmission Owners (Filing Party Midwest ISO TOs)² (collectively, Filing Parties) filed proposed revisions to Schedule 1 (Scheduling, System Control and Dispatch Service) of Midwest ISO's Open Access Transmission, Energy and Operating Reserve Markets Tariff (Tariff) (November Filing). In this order, we accept for filing the November Filing to become effective on January 1, 2011, as requested.

I. Background

2. Schedule 1 of the Midwest ISO Tariff is an ancillary service schedule that sets forth the rate that recovers the Midwest ISO transmission owners' expenses to manage

¹ Midwest ISO is filing the proposed revisions in its capacity as Administrator of its Tariff. However, Midwest ISO indicates that it takes no position on the substance of this filing.

² The Filing Party Midwest ISO TOs are: Great River Energy (GRE); International Transmission Company, Michigan Electric Transmission Company, LLC, and ITC Midwest LLC (collectively, the ITC Companies); Wolverine Power Supply Cooperative, Inc. (Wolverine); and Xcel Energy Services, Inc., on behalf of its operating company subsidiaries Northern States Power Company-Minnesota, and Northern States Power Company-Wisconsin (Xcel).

the reliability coordination function and to monitor, assess and operate the transmission system in real time to maintain safe and reliable operation. The current rate for Schedule 1 service is a single, system-wide postage stamp rate based on the total revenue requirements and load of all transmission owners providing the service.³ Schedule 1 service is provided, and Schedule 1 revenue is generated, when a transmission customer purchases the following services: Long-Term Firm and Short-Term Firm Point-to-Point Transmission Service under Schedule 7 of the Tariff; Non-Firm Point-to-Point Transmission Service under Schedule 8 of the Tariff; and Network Integration Transmission Service (NITS) under Schedule 9 of the Tariff.

3. Schedule 1 provides that revenue generated from Schedule 1 service is to be allocated to each Midwest ISO pricing zone on the same basis as the base transmission service revenues under Schedules 7, 8, or 9 of the Tariff. Base transmission service revenues under Schedules 7, 8, or 9 are distributed pursuant to the revenue distribution provisions in Appendix C, Section III of the Midwest ISO Transmission Owners Agreement (TO Agreement). Under this methodology, revenues collected from transmission customers related to service of load in Midwest ISO are distributed to the transmission owner in the zone where the load being served is located and revenues related to service through or out of the Midwest ISO system are distributed 50 percent based on transmission investment and 50 percent based on power flows. As a result, the Schedule 1 rate design is regional (*i.e.*, a “postage stamp” rate), and the revenues generated by Schedule 1 are distributed primarily on a zonal basis (*i.e.*, on a “license plate” basis) in accordance with the distribution method for base transmission revenues associated with the zonal rates under Schedules 7, 8 and 9.

4. Further, section 37.3(a) of the Tariff provides that when Midwest ISO transmission owners and independent transmission company (ITC) participants take NITS under Schedule 9 to serve their bundled load, they shall not pay charges pursuant to Schedules 1, 3 through 6, and 9 of the Midwest ISO Tariff.

II. Proposed Revisions to Schedule 1

5. The Filing Party Midwest ISO TOs assert that the existing revenue distribution produces a mismatch between Schedule 1 revenue requirements and Schedule 1 revenue distribution which is obfuscated by the exemption in section 37.3(a) of the Tariff. As a

³ Original Sheet No. 1758. The transmission owners’ costs recovered under Schedule 1 include amounts recorded in FERC Accounts 561.1, 561.2, and 561.3, excluding any costs booked to a sub-account to Account 561 to be recovered under Midwest ISO Schedule 24 (the costs to operate local balancing areas, which were previously recovered through Schedule 1, but are now recovered through Schedule 24).

result, the Filing Party Midwest ISO TOs' state, nearly every Midwest ISO transmission owner over-recovers or under-recovers its costs.

6. First, the Filing Party Midwest ISO TOs state that because the Schedule 1 rate is based on a regional postage stamp rate design, but the revenues are distributed on a zonal basis, transmission owners with higher Schedule 1 revenue requirements per unit of zonal load will have a bias to under-recover their revenue requirements while transmission owners with lower Schedule 1 revenue requirements per unit of zonal load will have a bias to over-recover their revenue requirements. Second, the Filing Party Midwest ISO TOs maintain that the existing Schedule 1 revenue that a vertically integrated transmission owner ought to collect from its bundled load is not currently factored into the amount of Schedule 1 revenues available for distribution by Midwest ISO because section 37.3 (a) of the Midwest ISO Tariff exempts Midwest ISO transmission owners and ITC participants taking NITS to serve their bundled load from charges under Schedule 1. As a result, Midwest ISO only collects revenue from unbundled loads even though unbundled and bundled loads both utilize Schedule 1 services for NITS. The end result, they argue, is that Midwest ISO collects insufficient Schedule 1 revenue to pay every Midwest ISO transmission owner its full Schedule 1 revenue requirement.

7. According to the Filing Party Midwest ISO TOs, Midwest ISO transmission owners that are ITCs are disadvantaged when it comes to recovering their Schedule 1 revenue requirements. This is because, while transmission owners with bundled load may address any over- or under-recovery by collecting the difference between their revenue requirement and the Midwest ISO-distributed Schedule 1 revenue from their bundled customers, ITCs, whose only mechanism for recovering Schedule 1 revenue requirements is through Midwest ISO's revenue distribution, have no comparable opportunity to properly recover their revenue requirement.

8. The Filing Party Midwest ISO TOs believe that, instead, the Schedule 1 revenue distribution methodology should align with the rate design, and that distribution of Schedule 1 revenues should also align with Schedule 1 revenue requirements, in order to ensure all transmission owners the opportunity to recover their Schedule 1 revenue requirement. Therefore, the Filing Party Midwest ISO TOs propose two modifications to the Schedule 1 revenue distribution in order to align the revenue distribution with the Schedule 1 single, system-average rate design.

9. First, they propose to distribute all Schedule 1 revenues associated with transmission service under Schedules 7, 8 and 9 based on each transmission owner's *pro rata* share of the sum of all transmission owners' Schedule 1 revenue requirements. Second, the Filing Party Midwest ISO TOs propose to impute Schedule 1 revenues for each transmission owner attributable to, but not collected for, its bundled load in order to eliminate the potential for discriminatory treatment of transmission owners without bundled load. The proposal will add the imputed revenues to the Schedule 1 revenues actually collected to form a total set of Schedule 1 revenues (collected and imputed)

before the *pro rata* shares are calculated. This revised revenue distribution method is designed to be consistent with the regional Schedule 1 rate design and to provide each transmission owner the opportunity to recover its Schedule 1 revenue requirement.

10. The Filing Party Midwest ISO TOs state that their proposed methodology to impute revenues is the same methodology that has been accepted by the Commission with respect to Schedule 9 charges.⁴ They state that the same concern evident in the 2008 Order regarding the distribution of transmission revenues to stand-alone transmission companies with no bundled load is also present here with respect to Schedule 1 revenues. The Filing Party Midwest ISO TOs state that the proposed revisions are based on the assumption that all load, both bundled and unbundled, is billed the single, system-wide Schedule 1 rate. In addition, they also state that they do not propose to modify the exemption contained in section 37.3(a) of the Tariff.

11. The Filing Party Midwest ISO TOs state that it is important to note that unbundled wholesale transmission customers should not see any changes in their Schedule 1 charges. The total amount of Schedule 1 charges being billed to these customers and collected by Midwest ISO will not change. Rather, it is the distribution of the revenues collected by these charges that will change to prevent over- and under-recoveries by transmission owners. The Filing Party Midwest ISO TOs also state that the changes requested here will make the collection and distribution of revenues under Schedule 1 consistent with the collection and distribution of revenues under other Midwest ISO regional rates, such as the rate under Schedule 24 of the Tariff (Local Balancing Authority Cost Recovery). They explain that the establishment of Schedule 24 resulted in a reduction to the scope of the expenses recovered by Schedule 1, but while the Schedule 24 expenses are similar in nature to the expenses recovered in Schedule 1, the revenue distribution is very different. Schedule 24 revenue distribution is aligned with the Schedule 24 rate design, providing transmission owners their *pro rata* share of the total Schedule 24 revenues collected, and thereby also providing transmission owners the ability to collect their Schedule 24 revenue requirement.

12. In addition to the proposed changes to the Schedule 1 revenue distribution, the Filing Party Midwest ISO TOs also propose to remove language in Schedule 1 that now provides that the rate will be calculated and put into effect “based on data for the prior

⁴ See *Midwest Indep. Transmission Sys. Operator, Inc.* 122 FERC ¶ 61,090, at P 47 (2008 Order), *reh’g pending*. Also see section 37.3(a) of the Tariff, which provides that, when Schedule 9 revenues are distributed to Midwest ISO transmission owners and ITC participants, “the Transmission Provider shall deduct the imputed revenues attributed to each such Transmission Owner and ITC Participant from the total Schedule 9 revenues that are due to that Transmission Owner or ITC Participant.”

calendar year” and replace it with language that provides that the Schedule 1 rate will be calculated and put into effect “on January 1 and June 1 of each year in concert with Attachment O rate postings.”

13. The Filing Party Midwest ISO TOs state that they are making this filing pursuant to Section III.A of Appendix K of the TO Agreement, which permits a minority of transmission owners to make a filing under section 205 of the Federal Power Act if the minority group consists of three or more transmission owners owning combined gross transmission assets of at least \$2.5 billion. Further, the Filing Party Midwest ISO TOs state that, on October 1, 2010, pursuant to the requirements under Section IV.A of Appendix K of the TO Agreement, the Filing Party Midwest ISO TOs provided the required 30 days’ notice to Midwest ISO and the Midwest ISO transmission owners of their plan to file the Schedule 1 revisions under the minority provisions for section 205 filings.

14. The Filing Party Midwest ISO TOs request waiver of the Commission’s 60-day prior notice requirement to permit an effective date of January 1, 2011. They explain that the requested effective date would allow the revised Schedule 1 revenue distribution provisions to apply beginning with the 2011 rate year so that the entire year is treated in a uniform manner. They state that waiver of that requirement here is particularly appropriate where parties have known since at least October 1, 2010 that these Tariff changes would be forthcoming and have had the opportunity to participate in the development of the filing.

III. Notice of Filing and Responsive Pleadings

15. Notice of the filing was published in the *Federal Register*, 75 Fed. Reg. 71,109 (2010), with interventions or protests due on or before December 6, 2010.

16. The Illinois Commerce Commission and the Michigan Public Service Commission filed separate notices of intervention. Consumers Energy Company and Wisconsin Electric Power Company filed timely motions to intervene. Midwest ISO filed a timely motion to intervene and comments. Certain Midwest ISO Transmission Owners that are not among the Filing Party Midwest ISO TOs in this docket (non-Filing Party Midwest ISO TOs) filed a timely motion to intervene and protest.⁵ American Municipal Power,

⁵ The non-Filing Party Midwest ISO TOs are: Ameren Services Company, as agent for Union Electric Company, Ameren Illinois Company and Ameren Transmission Company of Illinois; American Transmission Systems, Incorporated, a subsidiary of FirstEnergy Corp.; City Water, Light & Power (Springfield, IL); Dairyland Power Cooperative; Duke Energy Corporation for Duke Energy Ohio, Inc., Duke Energy Indiana, Inc., and Duke Energy Kentucky, Inc.; Hoosier Energy Rural Electric

(continued...)

Inc. (AMP) and the Detroit Edison Company (Detroit Edison) also filed timely motions to intervene and comments.

17. The Filing Party Midwest ISO TOs filed an answer to the comments and protests on December 20, 2010. On December 30, 2010, Midwest ISO filed a motion for leave to answer and answer to the Filing Party Midwest ISO TOs' December 20, 2010 Answer.

18. On January 3, 2011, AMP filed a motion to intervene in Docket No. ER11-2350-000, which, as more fully described in P 31 below, involves a competing proposal to revise Schedule 1. AMP's January 3, 2011 pleading also includes a motion to consolidate Docket No. ER11-2350-000 with the November Filing and a request that the Commission suspend the effective date for the revisions to Schedule 1 revenue distribution as proposed in both Docket No. ER11-2350-000 and Docket No. ER11-2113-000 and direct the parties to engage in settlement discussions.

19. In their protest, the non-Filing Party Midwest ISO TOs do not refute the need for changes to the Schedule 1 revenue distribution but assert that the Filing Party Midwest ISO TOs blur the distinction between regional and zonal rates and revenues by proposing to "impute" revenues that are primarily zonal in nature (i.e., from bundled rates) into the calculation of the revenues recovered on a regional basis under the Schedule 1 system-wide rate.⁶ Such a proposal, according to non-Filing Party Midwest ISO TOs, conflicts with the Filing Party Midwest ISO TOs' intent to make Schedule 1 revenue distribution consistent with the Schedule 1 postage stamp rate design. They argue that the Filing Party Midwest ISO TOs' reliance on the 2008 Order for imputing revenues for bundled loads is misplaced. The non-Filing Party Midwest ISO TOs point out that, in that case, it was appropriate because the Commission accepted the proposal to impute revenues received for services provided to bundled retail (i.e., zonal) customers for the purposes of distributing revenues collected on a license-plate, zonal basis, under Schedule 9 of the Midwest ISO Tariff for NITS.

20. The non-Filing Party Midwest ISO TOs argue that the proposed revision that equates regional (i.e., Schedule 1) and zonal (i.e., bundled retail) revenues for the purpose of revenue distribution does not remedy the "misalignment between Schedule 1 postage

Cooperative, Inc.; Indianapolis Power & Light Company; Michigan Public Power Agency; MidAmerican Energy Company; Minnesota Power (and its subsidiary Superior Water, L&P); Northern Indiana Public Service Company; Northwestern Wisconsin Electric Company; Otter Tail Power Company; Southern Illinois Power Cooperative; and Wabash Valley Power Association, Inc.

⁶ See non-Filing Party Midwest ISO TOs Protest at 4.

stamp design for revenue collection and the license-plate design for revenue distribution.”⁷ They also assert that the proposal is not a just and reasonable revenue distribution for Schedule 1 service because it assumes that Midwest ISO transmission owners that serve bundled retail customers will recover all of the revenues imputed. According to the non-Filing Party Midwest ISO TOs, imputing revenues will result in either over-recovery or under-recovery of Schedule 1 revenues. They argue that the proposal will do little to address the purported misalignment between Schedule 1 revenue requirements and revenue distribution and will instead shift existing misalignment from one group of Midwest ISO transmission owner to another. The non-Filing Party Midwest ISO TOs request that the Commission reject the November Filing or, in the alternative, suspend it for the maximum statutory period subject to refund, and set the matter for hearing.

21. In its comments, Midwest ISO states that the example provided in Exhibit B of the November Filing does not take into account the point-to-point offset for revenue credits, thereby erroneously showing that Midwest ISO distributes more revenue than it actually collects.⁸ Midwest ISO further states that it is not realistic that Midwest ISO will be able to implement the proposed Tariff revisions by January 1, 2011. According to Midwest ISO, a more realistic date for implementing a change to the Schedule 1 revenue distribution method would be six months after the Commission issues an order.⁹

22. Detroit Edison supports the November Filing. Detroit Edison asserts that the proposed revisions would correct the current inequities in Midwest ISO transmission owner revenue recovery associated with whether customers are taking bundled or unbundled service. The proposal, Detroit Edison argues, ensures that all load types are treated equally, and that Schedule 1 revenues are accounted for without regard to whether the relevant Midwest ISO transmission owner serves bundled or unbundled loads. Detroit Edison states that imputing and factoring these revenues into the revenue distribution algorithm allows total Schedule 1 revenues (billed and imputed) to be distributed on a *pro rata* basis with Schedule 1 revenue requirements, thus ensuring a just and reasonable alignment between revenue and expense.¹⁰

⁷ *Id.* at 6.

⁸ *See* Midwest ISO Comments at 2.

⁹ *Id.* at 3.

¹⁰ *See* Detroit Edison Comments at 4.

23. In its comments, AMP takes issue with the Filing Party Midwest ISO TOs' assertion that the proposal is not a rate change and will only result in a change in revenue distribution. According to AMP, the revenue distribution back to the zones will change as a result of the proposal, and the amount of revenue distribution reflected in a transmission owner's calculation of its Annual Transmission Revenue Requirement (ATRR) will need to be adjusted upward or downward to reflect that change.¹¹ Given these effects, AMP asserts that the Filing Party Midwest ISO TOs should have included information about the impact of the proposed Tariff changes on the distribution of Schedule 1 revenues back to each zone. AMP argues that the Filing Party Midwest ISO TOs' request for waiver from filing revenue impact data should be denied and that they should be directed to submit information within a specified number of days, with the parties being given the opportunity to comment on the proposal and the additional information.

24. In their December 20, 2010 Answer, the Filing Party Midwest ISO TOs refute the non-Filing Party Midwest ISO TOs' contention that the November Filing blurs the distinction between regional and zonal rates and revenues. They argue that the Schedule 1 rate design assumes that all loads in Midwest ISO – bundled and unbundled – are paying the same Schedule 1 rate and that the vertically integrated transmission owners must collect a portion of their Schedule 1 revenue requirement from their bundled retail customers in retail rates in order to recover their full revenue requirement. This situation, Filing Party Midwest ISO TOs argue, does not change the regional nature of the Schedule 1 rate. They also argue that imputing revenues to bundled load is required not because the Schedule 1 proposal seeks to equate regional and zonal rates, but because Schedule 1 is a single regional rate applicable to all load in Midwest ISO, whether they pay regional or zonal rates for base transmission service.

25. The Filing Party Midwest ISO TOs also assert that the amount of actual revenues collected by transmission owners from bundled load is not relevant. They explain that, under the proposal, the imputed revenues are the revenues that *should* be collected if the regional Schedule 1 rate were applied equally to bundled and unbundled customers, as implied by the nature of a “regional” rate. The Filing Party Midwest ISO TOs contend that the proposed Schedule 1 rate will be applied uniformly throughout Midwest ISO's footprint and that transmission owners will receive Schedule 1 revenues on a *pro rata* basis. The Filing Party Midwest ISO TOs further argue that treating bundled and unbundled loads differently for purposes of calculating the Schedule 1 rate is unduly discriminatory and that under the instant proposal, Midwest ISO transmission owners would have the opportunity to recover their full revenue requirement.

¹¹ See AMP Comments at 5.

26. The Filing Party Midwest ISO TOs' answer also provides an updated version of Exhibit B to the Testimony of Charles Marshall that clarifies the treatment of point-to-point transactions, in response to comments by Midwest ISO.¹²

27. In response to AMP's claim that the November Filing failed to include evidence that the revenue distribution methodology would not result in higher charges to transmission customers in certain Midwest ISO zones, the Filing Party Midwest ISO TOs state that the November Filing only seeks to modify the distribution of Schedule 1 revenue, not the derivation or application of the Schedule 1 rate. They also assert that AMP's argument that any reduction in revenues distributed to a particular transmission owner would have to be made up by increasing the ATRR is wrong because: (1) the Schedule 1 proposal does not modify the costs that are eligible for inclusion in the Schedule 1 revenue requirement; and (2) there will be no "automatic" impact of the Schedule 1 revisions on the Attachment O formula rates for calculating ATRRs because Schedule 1 is separate from Attachment O and Schedule 1 charges are not recovered through Attachment O formula rates.¹³

28. In addition, the Filing Party Midwest ISO TOs argue that AMP's request for a filing of zone-by-zone revenue impact information is unnecessary because the proposal does not contain any change in rates and because it is not possible for Midwest ISO transmission owners to know what the effects of the proposed change in the Schedule 1 revenue distribution methodology will be on a zone-by-zone basis. They point out that only the transmission owners have access to the data necessary for such a calculation.¹⁴

29. The Filing Party Midwest ISO TOs argue that Midwest ISO's concern with the January 1, 2011 effective date can be addressed by a subsequent resettlement of Schedule 1 revenues, which would only involve the transmission owners, once the system changes are implemented. Further, they state that Midwest ISO has commonly implemented resettlements retroactively to earlier effective dates, when tariff provisions are changed unexpectedly or on short notice.¹⁵

¹² See Filing Party Midwest ISO TOs Answer, Updated Exhibit B.

¹³ See Filing Party Midwest ISO TOs Answer at 10.

¹⁴ *Id.* at 11.

¹⁵ See *Midwest Indep. Transmission Sys. Operator, Inc.*, 129 FERC ¶ 61,018 (2009).

30. In its December 30, 2010 Answer, Midwest ISO reiterates its request that the Commission approve an effective date no earlier than the first day of a month six months after an order is issued by the Commission. Midwest ISO states that it will take approximately six months to implement computer system modifications for the proposed Schedule 1 revenue distribution change. In addition, Midwest ISO states that the Schedule 1 revenue resettlement method proposed in the Filing Party Midwest ISO TOs' answer is not consistent with current Midwest ISO practice which tracks all transmission charges and related revenue distribution by each transmission reservation, rather than by transmission owner. Midwest ISO also states that the resettlement approach proposed in the Filing Party Midwest ISO TOs' answer does not consider how the same billing cycles would be impacted if subsequent resettlements became necessary.

31. As previously noted, in its January 3, 2011, motion to intervene in Docket No. ER11-2350-000, AMP also includes a motion to consolidate the November Filing with the alternative proposals to modify Schedule 1 submitted by the non-Filing Midwest ISO TOs in Docket No. ER11-2350-000 so that the alternative proposals may be evaluated in a single proceeding.¹⁶ AMP states that both filings are factually similar and arise from the same concerns. Additionally, AMP states that consolidating the two dockets will avoid the potential for duplicative discovery and redundant evidence and proceedings. It also states that consolidation will allow the parties and the Commission to more effectively utilize resources and more effectively evaluate the financial impacts of each filing.

32. AMP also requests that the Commission suspend each of the filings for five months and direct the parties to engage in settlement discussions. AMP contends that having two different dockets with competing tariff changes, each with the same proposed effective date, poses a challenge for the Commission that can best be resolved by suspension and settlement discussions.

33. On January 11, 2011, the Filing Party Midwest ISO TOs filed an answer opposing AMP's motion to consolidate Docket Nos. ER11-2113-000 and ER11-2350-000 and its request for a five-month suspension of the filings' effective dates in both dockets.

¹⁶In an order issued concurrently with the order in this proceeding, the Commission is rejecting the competing proposal that the non-Filing Party Midwest ISO TOs submitted in Docket No. ER11-2350-000.

IV. Discussion

A. Procedural Matters

34. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2010), the notices of intervention and timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

35. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2010), prohibits an answer to a protest unless otherwise ordered by the decisional authority. We will accept the Filing Party Midwest ISO TOs' answer and Midwest ISO's answer because they have provided information that has assisted us in our decision-making process.

B. Substantive Matters

36. As discussed below, we will accept the Filing Party Midwest ISO TOs' proposed revisions to Schedule 1, to be effective on January 1, 2011.¹⁷

37. The Filing Party Midwest ISO TOs' proposed methodology to impute Schedule 1 revenues for bundled load and distribute Schedule 1 revenues on a pro-rata basis based on each transmission owner's individual Schedule 1 revenue requirement is just and reasonable, and not unduly discriminatory, because it ensures that each Midwest ISO transmission owner will have the opportunity to fully recover its costs in providing Schedule 1 service under the existing regional rate design for the Schedule 1 charge. In the 2008 Order, we approved a proposal by Midwest ISO that similarly imputed revenues with respect to Schedule 9 charges.¹⁸ Moreover, the proposed revenue distribution is

¹⁷ We deny AMP's motion to consolidate the November Filing with the non-Filing Party Midwest ISO TOs' alternative proposal in Docket No. ER11-2350-000. Since we are accepting the Filing Parties' proposal in this proceeding and, in a separate order, rejecting the alternative proposal in Docket No. ER11-2350-000, there are no issues to consolidate for purposes of settlement and decision. .

¹⁸ In the 2008 Order, the Commission approved a proposal to modify section 37.3(a) of the Tariff that specifies how Midwest ISO is to treat revenues that it would have received for NITS provided to the Midwest ISO transmission owners for service to their bundled retail load, but for the exemption that such service received from Tariff charges. Under the proposal, Midwest ISO includes the revenues that it would have received but for the exemption, which it defined as "imputed revenues," in the total transmission revenues available for distribution to the Midwest ISO transmission owners. Midwest ISO also deducts the imputed revenues attributed to any Midwest ISO

(continued...)

consistent with the manner in which revenues are distributed under other Midwest ISO regional rates. Finally, we accept the revised language to allow for the transmission owners' Schedule 1 revenue requirements to be calculated on the same timeline as their Attachment O revenue requirements.

38. We recognize concerns expressed by non-Filing Party Midwest ISO TOs that the November Filing does not show that imputed revenues will reflect actual revenues received by transmission owners from bundled retail customers. However, whether transmission owners' revenues from bundled retail customers allow recovery of the allocation of region-wide Schedule 1 costs to each transmission owner for its bundled retail load under the proposed revenue distribution is a matter more appropriately addressed by the transmission owners with their retail regulators, and it is not a reason to find the proposal unjust and unreasonable.

39. We are not persuaded by AMP's assertion that the Filing Party Midwest ISO TOs' proposal is a rate change and will result in higher charges to transmission customers within certain Midwest ISO zones due to reductions in revenues distributed. We are satisfied that the proposal seeks only to modify the distribution of Schedule 1 revenues and does not seek a change in Schedule 1 rates. Additionally, the November Filing will not have an "automatic" impact on Attachment O formula rates because the costs recovered and revenues received under Schedule 1 are separate from Attachment O.¹⁹ Therefore, we will not require additional evidence beyond that provided in the November Filing and in the updated Exhibit B.

40. We will grant waiver of the 60-day prior notice requirement for good cause shown because the parties have known since at least October 1, 2010 that these Tariff changes would be forthcoming and have had the opportunity to participate in the development of the filing.²⁰ We agree with the Filing Party Midwest ISO TOs' statement that Midwest

transmission owner from the transmission revenues that would otherwise be attributed to that Midwest ISO transmission owner. The Commission found the proposed tariff modifications to be just and reasonable, as they were necessary to ensure that each Midwest ISO transmission owner received revenues for Tariff service on a comparable basis, *i.e.*, based on its revenue requirement.

¹⁹ See Midwest ISO, FERC Electric Tariff, Fourth Revised Vol. No. 1, Att. O, Third Revised Sheet No. 2628, Note L; Second Revised Sheet No. 2633, Note L; Second Revised Sheet No. 2638, Note L; Second Revised Sheet No. 2642, Note I; and Second Revised Sheet No. 2646, Note I.

²⁰ Transmittal Letter at 2.

ISO can, as it has in the past, adopt the revised revenue distribution methodology effective January 1, 2011, and implement retroactive resettlements among the transmission owners.²¹

The Commission orders:

The proposed Tariff revisions are hereby accepted for filing to become effective January 1, 2011, as discussed in the body of this order.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.

²¹ *Midwest Indep. Transmission Sys. Operator, Inc.*, 129 FERC ¶ 61,018 (2009).