ORDER ACCEPTING TARIFF REVISIONS, SUBJECT TO CONDITION

(issued January 21, 2016)

1. On October 13, 2015, pursuant to section 205 of the Federal Power Act (FPA)\(^1\) and Part 35 of the Commission’s regulations,\(^2\) Midcontinent Independent System Operator, Inc. (MISO) submitted proposed revisions to its Open Access Transmission, Energy and Operating Reserve Markets Tariff (Tariff) to remove the “hurdle rate” mechanism (Hurdle Rate) previously accepted by the Commission (Hurdle Rate Removal Filing).\(^3\) In this order, we accept MISO’s filing, subject to condition, to become effective February 1, 2016, as discussed below.

I. Background

2. In 2004, the Commission accepted a Joint Operating Agreement to better coordinate power flows and improve seams management between MISO and the Southwest Power Pool, Inc. (SPP) (MISO-SPP JOA).\(^4\)

3. On January 28, 2014, SPP filed an FPA section 206\(^5\) complaint (SPP Complaint) in which it sought a Commission order finding that MISO is violating the MISO-SPP

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JOA and the SPP Open Access Transmission Tariff (SPP Tariff), and requiring MISO to compensate SPP under the SPP Tariff for MISO’s use of the SPP transmission system for real-time energy transfers between MISO Midwest and MISO South following the integration of the Entergy Operating Companies\(^6\) into MISO on December 19, 2013.\(^7\)

Concurrent with the SPP Complaint, SPP also filed an unexecuted service agreement to assess charges for MISO’s use of the SPP transmission system for the transfers between MISO Midwest and MISO South (SPP Service Agreement).\(^8\) On February 18, 2014, MISO filed an FPA section 206\(^9\) complaint (MISO Complaint) against SPP alleging that the SPP Complaint and SPP’s filing of the SPP Service Agreement violate the MISO-SPP JOA and SPP’s Tariff, and seeking a Commission order requiring SPP to cease sending invoices to MISO and to nullify the invoices already sent.\(^10\)

4. On March 28, 2014, the Commission issued an order\(^11\) addressing four proceedings: (1) an opinion of the United States Court of Appeals for the District of Columbia Circuit (D.C. Circuit) vacating and remanding Commission orders interpreting section 5.2 of the MISO-SPP JOA;\(^12\) (2) the SPP Complaint; (3) the MISO Complaint; and (4) the SPP Service Agreement. In the MISO-SPP JOA Order, the Commission


\(^6\) Entergy Arkansas, Inc. (Entergy Arkansas); Entergy Gulf States Louisiana, L.L.C; Entergy Louisiana, LLC (Entergy Louisiana); Entergy Mississippi, Inc. (Entergy Mississippi); Entergy New Orleans, Inc. (Entergy New Orleans); and Entergy Texas, Inc. (Entergy Texas).

\(^7\) Southwest Power Pool, Inc., Complaint and Request for Fast Track Processing and Motion to Consolidate, Docket No. EL14-21-000 (filed Jan. 28, 2014).


\(^10\) Midcontinent Independent System Operator, Inc., Complaint and Motion to Consolidate, Docket No. EL14-30-000 (filed Feb. 28, 2014).


\(^12\) Southwest Power Pool, Inc. v. FERC, 736 F.3d 994 (D.C. Cir. 2013).
accepted for filing the SPP Service Agreement, suspended it for a nominal period, and made it effective January 29, 2014, subject to refund. In addition, the Commission consolidated the four proceedings and established hearing and settlement judge procedures.

5. In order to limit its exposure to charges under the SPP Service Agreement, MISO proposed the Sub-Regional Power Balance Constraint to limit intra-regional flows, i.e., those flows between MISO Midwest and MISO South, to the 1,000 megawatt (MW) contract path limit between MISO Midwest and MISO South, rather than allowing flows up to the limit established in the Operations Reliability Coordination Agreement (ORCA). On June 10, 2014, the Commission conditionally accepted MISO’s proposal to establish the Sub-Regional Power Balance Constraint and the Sub-Regional Power Balance Constraint Demand Curve.

6. On June 16, 2014, the Commission accepted, suspended for a nominal period, and set for hearing and settlement judge procedures, MISO’s proposed revisions to its Tariff

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13 Entergy Arkansas, Ameren Corporation (Ameren), and Associated Electric Cooperative, Inc. (Associated Electric) are parties to an interconnection agreement under which they share the capacity of the 500/345 kV transformers on a high-voltage interconnection. The direct contiguous tie capability between Entergy Arkansas and Ameren is approximately 1,000 MW of the 1,500 MW total capability of the interconnection (i.e., the 1,000 MW contract path limit). The ORCA provides agreed upon transmission limits to address reliability and loop flow concerns among MISO and neighboring entities. See Midcontinent Indep. Sys. Operator, Inc., 145 FERC ¶ 61,032 (2013).

14 The Sub-Regional Power Balance Constraint is a net energy injection and withdrawal constraint established to manage intra-regional flows in accordance with applicable seam agreements, coordination agreements, transmission service agreements, or operating procedures. In this instance, intra-regional flows are defined as flows between the MISO Midwest and MISO South sub-regions. Midcontinent Independent System Operator, Inc., Filing of Revisions to MISO Tariff to Include Sub-Regional Power Balance Constraints, Docket No. ER14-1713-000, at 6 (filed Apr. 11, 2014).

which provided for recovery of costs invoiced to MISO under the tariff of another transmission provider (Cost Recovery Mechanism).  

7. On July 16, 2014, MISO submitted proposed revisions to Schedule 28B of the MISO Tariff to include an additional step to the Sub-Regional Power Balance Constraint Demand Curve to reflect potential charges under the SPP Service Agreement for intra-regional flows in excess of 1,000 MW that occur under MISO’s transmission service agreements with SPP (Hurdle Rate Filing). Specifically, MISO’s proposed Hurdle Rate revisions would add a “hurdle” to the economic dispatch in MISO’s day-ahead and real-time market. This would allow intra-regional flows to exceed the 1,000 MW contract path limit between MISO Midwest and MISO South when the incremental savings from allowing the flows exceed the transmission charges under the SPP Service Agreement. The Hurdle Rate would apply until the ORCA limit is reached.

8. MISO explained that cost recovery and allocation matters related to invoices received pursuant to the SPP Service Agreement were not included in the Hurdle Rate Filing; rather, they were being discussed as part of the settlement procedures established in the Cost Recovery Order. MISO stated that it is committed to ensuring alignment between the modifications to the Sub-Regional Power Balance Constraint Demand Curve proposed in the instant filing and any cost recovery mechanism ultimately adopted.

9. On December 12, 2014, the Commission conditionally accepted the Hurdle Rate Filing, and found that MISO had demonstrated that the Hurdle Rate would improve the currently effective Sub-Regional Power Balance Constraint Demand Curve and could provide significant benefits by allowing increased intra-regional flows when economic. The Commission established an effective date of July 17, 2014. The Commission also directed MISO to make a compliance filing to clarify certain aspects of the Hurdle Rate.

10. On January 12, 2015, as corrected on February 6, 2015, MISO submitted revisions to its Tariff in compliance with the Commission’s directives, along with a request for rehearing of the Hurdle Rate Order. The Public Utility Commission of Texas (Texas Commission), the Louisiana Public Service Commission, the Arkansas Public Service Commission, and the Pennsylvania Public Service Commission filed joint rehearing requests.

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17 MISO July 16, 2014 Hurdle Rate Filing, Vannoy Test. at 3.

18 Id. at 4.

Commission (Arkansas Commission), and the Council of the City of New Orleans (New Orleans Council) filed a request for rehearing and/or clarification.

II. **Hurdle Rate Removal Filing**

11. MISO proposes revisions to its Tariff to remove the Hurdle Rate. MISO states that concurrent with the filing in the instant proceeding, MISO and SPP are submitting a settlement agreement which would resolve all issues set for hearing in the MISO-SPP JOA Order (Settlement Agreement). MISO states that section 12.1 of the Settlement Agreement specifically requires that MISO make a filing eliminating the Hurdle Rate simultaneously with the filing of the Settlement Agreement. MISO states that the Settlement Agreement provides that SPP will withdraw the SPP Service Agreement and that charges and penalties under the SPP Service Agreement will be replaced by a mutual compensation system for MISO’s use of SPP’s and the Joint Parties’ available transmission system capacity when MISO’s intra-regional flows exceed the 1,000 MW contract path limit (Available System Capacity). MISO asserts that, accordingly, removal of the Hurdle Rate is just and reasonable because the Hurdle Rate has served its purpose and is no longer required to mitigate the effects of the SPP Service Agreement.

12. MISO states that it designed the Hurdle Rate as an interim measure to limit MISO’s exposure to the transmission charges and penalties from the SPP Service Agreement rather than as a permanent feature of its markets. MISO notes that the Commission anticipated that “MISO will file changes to the [H]urdle [R]ate proposal, if

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20 In addition to MISO and SPP, Associated Electric Cooperative, Southern Company Services, Inc., on behalf of Alabama Power Company, Georgia Power Company, Gulf Power Company, and Mississippi Power Company, the Tennessee Valley Authority, Louisville Gas and Electric Company and Kentucky Utilities, PowerSouth Energy Cooperative, and NRG Energy, Inc. (NRG) are parties to the Settlement Agreement. The parties to the Settlement Agreement outside of MISO, SPP, and NRG are collectively referred to as the Joint Parties.

21 The Settlement Agreement provides that the upper limit of SPP and the Joint Parties’ Available System Capacity is 3,000 MW for flows from MISO Midwest to MISO South and 2,500 MW for flows from MISO South to MISO Midwest. See *Southwest Power Pool, Inc.*, 154 FERC ¶ 61,021 (2015) (Settlement Agreement Order). MISO states that these limits are referred to as Regional Directional Transfer Limits and, because the Settlement Agreement serves as the successor to the ORCA, replace the intra-regional flow limits established in the ORCA. Hurdle Rate Removal Filing at n.21.

22 Hurdle Rate Removal Filing at 5-6.
necessary, based on the outcome of the Docket No. ER14-1174-000, et al. proceeding.\textsuperscript{23} MISO contends that, as a result of the Settlement Agreement, there is no longer any need to constrain its economic dispatch so that transfers above 1,000 MW contract path limit only occur when economical. MISO states that the Settlement Agreement provides that MISO will make a fixed payment to SPP and the Joint Parties to settle all claims for the period between January 29, 2014, the effective date of the SPP Service Agreement, and February 1, 2016, the proposed implementation date of the Settlement Agreement. MISO states that, from February 1, 2016 forward, the Settlement Agreement provides for a tiered compensation payment system based on SPP and Joint Parties Available System Capacity usage. MISO asserts that the Settlement Agreement compensation system is superior to the SPP Service Agreement and eliminates the need for the Hurdle Rate. To this end, MISO argues that the Hurdle Rate simply mitigates, but does not remove, the non-physical limit on intra-regional flows in excess of 1,000 MW. MISO states that further restriction of those flows would impede the benefits of the Settlement Agreement.\textsuperscript{24}

III. Notice of Filing and Responsive Pleadings


\textsuperscript{23} \textit{Id.} (citing Hurdle Rate Order, 149 FERC ¶ 61,225 at P 34).

\textsuperscript{24} \textit{Id.} at 6.

\textsuperscript{25} Entergy Services, Inc. filed on behalf of Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy Texas.
15. The MISO Transmission Owners, and Madison Gas & Electric Company and WPPI Energy (collectively, Wisconsin TDUs) filed timely motions to intervene and comments. The New Orleans Council filed a notice of intervention and comments.

16. The Mississippi Public Service Commission and the Texas Commission filed out-of-time motions to intervene.

17. The New Orleans Council, MISO, and Wisconsin TDUs filed answers to the comments.

A. Comments

18. The New Orleans Council argues that the Commission should condition the removal of the Hurdle Rate on MISO’s assurance that the charges allocated by the Cost Recovery Mechanism align with the charges incurred by market participants in the importing sub-region through operation of the Hurdle Rate. The New Orleans Council states that increased congestion revenues generated by the Hurdle Rate are not distributed back to those that paid them; rather, those congestion revenues are commingled with day-ahead and real-time excess congestion funds. The New Orleans Council argues that, absent the Commission granting its request, market participants might otherwise be charged twice for flows above 1,000 MW: once via the Hurdle Rate and another time under the Cost Recovery Mechanism. The New Orleans Council notes that MISO stated that it was “committed to ensuring alignment between the modifications to the [Sub-Regional Power Balance Constraint] Demand Curve proposed in the Hurdle Rate

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27 New Orleans Council Comments at 6-7.
Filing, and any cost recovery mechanism ultimately adopted.”28 The New Orleans Council asks the Commission to hold MISO to this commitment.

19. The New Orleans Council also argues that the Commission should still require MISO to submit an informational filing showing the impact of the Hurdle Rate on market participants, as originally directed in the Hurdle Rate Order. The New Orleans Council asserts that it is important to understand the impacts of the Hurdle Rate before it is removed and that an informational filing would help market participants understand how increased congestion revenues caused by the Hurdle Rate were distributed in MISO’s market settlement process.29

20. The MISO Transmission Owners state that they support MISO’s filing to remove the Hurdle Rate and urge the Commission to permit the proposed Tariff revisions to go into effect on February 1, 2016, the same effective date requested in the Settlement Agreement. The MISO Transmission Owners argue that removal of the Hurdle Rate is integral to implementing the Settlement Agreement and moving MISO’s market toward more efficient and normal operations. The MISO Transmission Owners request that the Commission terminate Docket No. ER14-2445-000 and dismiss the pending requests for rehearing and compliance filing as moot, if and when the changes to Schedule 28B as proposed in this docket become effective. The MISO Transmission Owners argue that the concerns in those proceedings, e.g., appropriate Hurdle Rate pricing, are meaningless in the absence of a Hurdle Rate.30

21. The MISO Transmission Owners and Wisconsin TDUs state that section 3 of Schedule 28B still contains references to the ORCA and SPP Service Agreement. Wisconsin TDUs and the MISO Transmission Owners argue that, because SPP will withdraw the SPP Service Agreement upon the Commission’s acceptance of the Settlement Agreement and the Settlement Agreement is the successor to the ORCA, section 3 of Schedule 28B should refer only to the Settlement Agreement.31

B. Answers

22. The New Orleans Council argues that the MISO Transmission Owners’ request to terminate the Hurdle Rate proceeding and dismiss remaining claims as moot fails on both

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28 Id. at 5 (quoting Hurdle Rate Filing at 3).

29 New Orleans Council Comments at 7-8.

30 MISO Transmission Owners Comments at 6-7.

31 Id. at 8; Wisconsin TDUs Comments at 2-3.
procedural grounds as well as principles of fairness. The New Orleans Council states that the MISO Transmission Owners: (1) did not caption the request as a motion to terminate, but instead a motion to intervene and comments; and (2) incorrectly filed the request in the instant docket and not the docket which is the subject of termination. The New Orleans Council states that, as a result of these flaws, entities which are not a party to this proceeding do not have adequate notice of the MISO Transmission Owners’ request and any further action would violate the due process rights of parties in the Hurdle Rate proceeding. The New Orleans Council asserts that, on this basis alone, the Commission should deny the MISO Transmission Owners’ request.\(^{32}\)

23. The New Orleans Council argues that the MISO Transmission Owners’ claim that the concerns in the Hurdle Rate proceeding are meaningless in the absence of the Hurdle Rate, is misplaced and unsupported. The New Orleans Council contends that, for the reasons identified in its comments (i.e., alignment of increased congestion revenues caused by the Hurdle Rate with costs allocated through the Cost Recovery Mechanism and the importance of informational filings),\(^{33}\) the economic impact of the Hurdle Rate remains relevant and important even after its removal. However, the New Orleans Council emphasizes that it supports removal of the Hurdle Rate and states that its comments should not delay the Hurdle Rate’s removal.\(^{34}\)

24. MISO argues that the New Orleans Council’s request to condition acceptance of the removal of the Hurdle Rate on the alignment of increased congestion revenues generated by the Hurdle Rate with the Cost Recovery Mechanism should be rejected as an improper attempt to prejudge the outcome of the Cost Recovery Mechanism proceeding. MISO asserts that the New Orleans Council, as a party to that proceeding, will be free to challenge the justness and reasonableness of the Cost Recovery Mechanism as part of the hearing and settlement process. Wisconsin TDUs agree and also argue that the New Orleans Council’s request fails to acknowledge the Commission’s previous decisions in the Hurdle Rate Order and that the New Orleans Council’s supporting statements directly contradict what the Commission has held as the objectives of the Hurdle Rate.\(^{35}\)

\(^{32}\) New Orleans Council Answer at 2-3 (citing Pub. Serv. Comm’n of Kentucky v. FERC, 397 F.3d 1004, 1011-12 (D.C. Cir. 2005)).

\(^{33}\) See supra PP 18-19.

\(^{34}\) New Orleans Council Answer at 3-5.

\(^{35}\) Wisconsin TDUs Answer at 4-7 (citing Hurdle Rate Order, 149 FERC ¶ 61,225 at PP 63, 74, 75).
25. MISO and Wisconsin TDUs additionally argue that the Commission should not condition the Hurdle Rate’s removal on any informational reports. MISO contends that, because the Commission never formally accepted the compliance filing in the Hurdle Rate proceeding, the informational filing requirement was never triggered. Furthermore, MISO asserts, once the Hurdle Rate is removed, the basis for the reports would not exist because information they contain is meaningless in the absence of the Hurdle Rate and allocation of the Settlement Agreement costs is being addressed in the Cost Recovery Mechanism proceeding. MISO argues that, thus, both conditions are beyond the scope of this proceeding.\textsuperscript{36} Wisconsin TDUs agree and also assert that one component of the informational filing is no longer relevant: the charges from the SPP Service Agreement.\textsuperscript{37}

26. MISO agrees with the MISO Transmission Owners and Wisconsin TDUs that Schedule 28B should not contain any references to the SPP Service Agreement or the ORCA. MISO proposes to revise its Tariff, on compliance, to refer to the Offer of Settlement and Settlement Agreement.\textsuperscript{38}

IV. Discussion

A. Procedural Matters

27. Pursuant to Rule 214 of the Commission’s Rules of Practice and Procedure,\textsuperscript{39} the notices of intervention and timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

28. Pursuant to Rule 214(d) of the Commission’s Rules of Practice and Procedure,\textsuperscript{40} the Commission will accept the Mississippi Commission’s and the Texas Commission’s late-filed motions to intervene given their interest in the proceeding, the early stage of the proceeding, and the absence of undue prejudice or delay.

\textsuperscript{36} MISO Answer at 3-4.

\textsuperscript{37} Wisconsin TDUs Answer at 7-9.

\textsuperscript{38} MISO Answer at 2-3.

\textsuperscript{39} 18 C.F.R. § 385.214 (2015).

\textsuperscript{40} Id. § 385.214(d).
29. Rule 213(a)(2) of the Commission’s Rules of Practice and Procedure prohibits an answer to a protest unless otherwise ordered by the decisional authority.\textsuperscript{41} We will accept the New Orleans Council’s, MISO’s and Wisconsin TDUs’ answers because they have provided information that has assisted us in our decision-making process.

B. **Commission Determination**

30. We accept MISO’s proposed Tariff revisions, subject to condition, to become effective February 1, 2016, as discussed below.\textsuperscript{42} As explained by MISO, the substitution of the SPP Service Agreement with a payment structure for SPP’s and Joint Parties’ Available System Capacity obviates any need for the Hurdle Rate. The Settlement Agreement provides an agreed-upon method for MISO to pay for transmission capacity when MISO’s intra-regional flows exceed the 1,000 MW contract path between MISO Midwest and MISO South. Further, the Settlement Agreement provides that SPP will withdraw the SPP Service Agreement (i.e., the source of the charges that determined the Hurdle Rate). The Commission is issuing an order approving the Settlement Agreement concurrently with this order.\textsuperscript{43} In light of the Commission’s approval of the Settlement Agreement, we find that MISO’s proposal to remove the Hurdle Rate is just and reasonable.

31. However, as noted by the MISO Transmission Owners and Wisconsin TDUs, MISO did not consistently remove all references to the SPP Service Agreement and the ORCA in its proposed revisions in Schedule 28B. Accordingly, we direct MISO to submit a compliance filing, as proposed by MISO, within 30 days of this order, removing references in section 3 of Schedule 28B to the SPP Service Agreement and the ORCA and instead refer to the Settlement Agreement.

32. We reject the New Orleans Council’s requests to condition the removal of the Hurdle Rate on MISO’s assurance that the charges allocated by the Cost Recovery Mechanism align with congestion charges associated with the Hurdle Rate and MISO’s submission of an informational filing. This proceeding concerns whether removal of the Hurdle Rate is just and reasonable in light of the Settlement Agreement. In contrast, the New Orleans Council’s request concerns congestion charges that accrued, and allocation

\textsuperscript{41} Id. § 385.213(a)(2).

\textsuperscript{42} The Commission can revise a proposal filed under section 205 of the Federal Power Act as long as the filing utility accepts the change. See City of Winnfield v. FERC, 744 F.2d 871, 875-77 (D.C. Cir. 1984). The filing utility is free to indicate that it is unwilling to accede to the Commission’s conditions by withdrawing its filing.

of costs that MISO incurred, for the period prior to the Hurdle Rate’s removal. Therefore, we find the New Orleans Council’s requests to be outside the scope of this proceeding.

33. We also find the MISO Transmission Owners’ request to terminate Docket No. ER14-2445-000 and dismiss the pending requests for rehearing and compliance filing to be beyond the scope of this proceeding. The Commission will consider any effects of the Hurdle Rate’s removal on the pending compliance filing and rehearing requests in those proceedings.

The Commission orders:

(A) MISO’s filing is hereby accepted, subject to condition, to become effective February 1, 2016, as discussed in the body of this order.

(B) MISO is hereby directed to submit a compliance filing within 30 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.