

**UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION**

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| Midcontinent Independent System Operator, Inc.<br>and MISO Transmission Owners | )<br>)<br>) | Docket No. ER22-995-000 |
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**NOTICE OF INTERVENTION AND COMMENTS OF THE  
MICHIGAN PUBLIC SERVICE COMMISSION**

Pursuant to Rule 214 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (“FERC” or “the Commission”), the Michigan Public Service Commission (“Michigan PSC”) submits this notice of intervention and comments in the above-referenced proceeding, in response to the Midcontinent Independent System Operator, Inc. (“MISO”) and the MISO Transmission Owners (together, “the Filing Parties”) proposal to revise the MISO Open Access Transmission, Energy and Operating Reserve Markets Tariff to modify the cost allocation methodology for Multi-Value Projects (“MVPs”) to apply to projects developed through its Long Range Transmission Planning (“LRTP”) initiative.<sup>1</sup> The Filing Parties propose to modify the current cost allocation methodology for MVPs to allow an option for MVP portfolios with subregional benefits to be allocated on a postage stamp basis within the MISO Midwest and MISO South subregions.

**I. NOTICE OF INTERVENTION**

The Michigan PSC is a legislatively established agency in the State of Michigan, created by 1939 Public Act 3, Mich. Comp. Laws Ann. § 460.1 et seq. The Michigan PSC is the Michigan regulatory agency having jurisdiction and authority to control and regulate rates,

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<sup>1</sup> Midcontinent Indep. Sys. Operator, Inc. and MISO Transmission Owners, Proposed Revisions to MISO Tariff to Modify Cost Allocation Multi-Value Projects, Docket No. ER22-995-000 (filed Feb. 4, 2022) (“MISO Feb. 4 Filing”).

charges, and conditions of service for the retail sale of natural gas and electricity in Michigan. The Michigan PSC has a statutory mandate to represent the interests of natural gas and electric consumers throughout Michigan in proceedings before the FERC. It is, therefore, a State Commission as defined in 16 U.S.C. § 796(15) and 18 C.F.R. § 1.101(k), and has an interest in this proceeding that cannot be adequately represented by another party. Accordingly, the Michigan PSC hereby provides its notice of intervention pursuant to Rule 214(a)(2), 18 C.F.R. § 385.214(a)(2).

Copies of all pleadings and correspondence in this proceeding should be sent to:<sup>2</sup>

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<sup>2</sup> To the extent deemed necessary, the Michigan PSC requests waiver of the Commission's rules in order to allow all four of its representatives to be listed on the official service list for this proceeding.

## II. COMMENTS

### **A. The LRTP initiative is critical to maintaining long-term reliability in Michigan and throughout MISO.**

The Michigan PSC also is a member of the Organization of MISO States (“OMS”) and supports the separately-filed comments of OMS in this proceeding. In addition, the Michigan PSC submits for Commission consideration the comments set forth immediately below.

Responding to the urgency of climate change, the State of Michigan has adopted targets to achieve economy-wide carbon neutrality by 2050.<sup>3</sup> Michigan’s largest electric utilities have also announced plans to achieve net carbon neutrality in the next twenty to thirty years by phasing out coal-fired resources and relying predominantly on renewable energy resources, battery and other advanced technologies, and customer energy efficiency and demand response programs. Many states and utilities across the MISO footprint have established similar carbon reduction and renewable energy targets.

The transition of the electric generation fleet to greater reliance on renewable and distributed resources will require a more dynamic transmission system, as well as additional high-voltage transmission infrastructure to maintain system reliability and customer affordability. MISO’s continuing and proactive efforts to address these challenges in its region through the Reliability Imperative and LRTP initiative are to be commended, and can serve as a model for other Regional Transmission Organizations/Independent System Operators and transmission-owning utilities.

MISO’s LRTP initiative is designed to meet these challenges by identifying transmission solutions that foremost address the reliability of the MISO transmission system as renewable

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<sup>3</sup> Executive Directive No. 2019-12, *available at* [https://www.michigan.gov/documents/whitmer/Executive\\_Directive\\_2019-12\\_646944\\_7.pdf](https://www.michigan.gov/documents/whitmer/Executive_Directive_2019-12_646944_7.pdf).

energy resources come to comprise an ever-growing share of its resource mix over the next twenty years. The initiative further seeks to optimize the transmission system to reduce the overall cost of delivered energy in the future. Following the development of future system scenarios (i.e., the “MISO Futures”) based on anticipated industry trends,<sup>4</sup> MISO began its planning process with a conceptual roadmap comprised of potential transmission solutions to resolve expected reliability issues while continuing to refine its approach to analyzing economic benefits and enhanced transfer capability throughout its footprint.

The first two portfolios of projects MISO seeks to develop, tranches 1 and 2, are concentrated in the MISO Midwest subregion and are expected to be approved in MISO’s Transmission Expansion Plan (“MTEP”) MTEP21 and MTEP22, respectively.<sup>5</sup> The third tranche of LRTP projects that MISO will analyze is expected to be located exclusively in the MISO South subregion. While MISO has indicated that it will study options for increasing the contractual limitations on its ability to transfer power between the Midwest and South subregions as a part of later LRTP analysis, the current transfer limitations prevent significant benefits from flowing into one subregion from MVP portfolios located in the other subregion.<sup>6</sup> Accordingly, given that MISO has chosen to utilize the existing Commission-approved MVP tariff as the basis for allocating the costs of these initial LRTP tranches, the Michigan PSC believes it is important that MISO have the tools to be able to conduct multi-value planning on a subregional basis.

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<sup>4</sup> MISO Futures Report (April 2021), *available at* <https://cdn.misoenergy.org/MISO%20Futures%20Report538224.pdf>.

<sup>5</sup> MISO Feb. 4 Filing, Transmittal Letter at 18.

<sup>6</sup> The Brattle Group Analysis, MISO Regional Expansion Criteria and Benefits Working Group (Jan. 24, 2022), *available at* <https://cdn.misoenergy.org/20220124%20RECBWG%20Item%2002c%20Brattle%20Analysis619915.pdf>.

The first tranche of LRTP analysis and business case development is nearing completion and is expected to go to the MISO Board of Directors for approval in June 2022. As these first tranches of LRTP projects are expected to meet the existing MVP criterion on a subregional basis, the Michigan PSC believes reforms to allow for subregional MVP portfolios with a subregional cost allocation are appropriate to ensure that LRTP projects can move forward without delay. Notably, while this filing utilizes the existing MVP tariff as its basis, it is not appropriate in this instance to relitigate the MVP category. The Michigan PSC therefore supports the Filing Parties' proposals to modify the existing MVP project category and cost allocation method to allow for subregional portfolios and cost allocation, and urges the Commission to accept these proposals.

**B. The Michigan PSC supports continued efforts to identify a more granular cost allocation approach that may replace the bifurcated, postage stamp approach in the Feb. 4 Filing.**

The Michigan PSC strongly supports MISO's commitment in its Feb. 4 Filing to continue the stakeholder process to identify a cost allocation approach that may replace the subregional and system-wide postage stamp cost allocation method in the instant filing.<sup>7</sup> The Michigan PSC has consistently preferred moving towards cost allocation approaches that are more granular, and based on a full suite of transparent benefit metrics.

The existing postage stamp cost allocation method for MVPs that the Filing Parties propose to apply on a subregional basis requires the development of portfolios of projects to benefit the entire MISO footprint or subregion of MISO in order to satisfy the Commission's "roughly commensurate" benefit standard.<sup>8</sup> While it appears that the early tranches of projects

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<sup>7</sup> MISO Feb. 4 Filing, Transmittal Letter at 28-29.

<sup>8</sup> *See Ill. Com. Comm'n v. FERC*, 576 F.3d 470, 477 (7<sup>th</sup> Cir. 2009).

developed through MISO's LRTP initiative will benefit entire subregions, this requirement could impede future meritorious projects from being planned and approved with sufficient speed to keep pace with more localized developments and the overall pace of change in the electric industry.

Multi-value transmission planning is an essential tool to optimize transmission planning and resource investment over the long-term planning horizon. And the portfolio approach is sure to benefit the MISO system at this current stage. But requiring a portfolio for any project driven by multiple drivers (*e.g.*, reliability, economic and public policy), even at a subregional level, could cause the project category to become unusable over the long-term as states' and utilities' appetite for cost allocations that are untethered to projected benefits and local investment considerations wanes. Furthermore, it is conceivable that requirements to approve multi-value driven projects as part of a region-wide or subregion-wide portfolio could incentivize the identification and inclusion in a portfolio of less meritorious projects purely to bolster assertions of benefits at a regional or subregional level.

Finally, as the contractual transfer limitations between the MISO Midwest and MISO South subregions are eliminated or mitigated over time (which should be prioritized for a single wholesale electric market such as MISO), planning and cost allocation bifurcation between the subregions will no longer be justified. At that point, the portfolio requirement – necessary only to justify a postage stamp cost allocation method for MVPs – will become burdensome and adoption of a more granular cost allocation methodology will become necessary.

### III. CONCLUSION

The Michigan PSC appreciates MISO's proactive LRTP initiative to maintain system-wide reliability even as the rapid pace of transition of the generation fleet continues. The continued retirement of traditional fossil units and their replacement with the future resource fleet driving MISO's LRTP initiative aligns with what the Michigan PSC observes in Michigan regarding utility resource planning, customer preferences and decarbonization goals. The time it takes to plan, permit and construct high-voltage transmission projects necessitates that these projects be planned and approved without delay. As such, the Michigan PSC supports MISO's instant proposal and urges the Commission to accept it.

However, assuming the proposed MVP cost allocation method is approved and can be applied to the first three tranches of LRTP projects, there is sufficient time for MISO and stakeholders to consider alternative cost allocation methods for MVPs that do not *require* a portfolio that benefits the entire MISO region or a subregion, but instead are more granular in allocating costs to project beneficiaries. The Michigan PSC appreciates the Filing Parties' commitment<sup>9</sup> to discuss more granular cost allocation methods that may replace the postage stamp method in the future. The Michigan PSC believes that an approach that does not require portfolios, and that distributes costs based on quantifiable benefits in a manner roughly proportionate<sup>10</sup> to those who will benefit, will be a more durable solution, and one that will provide for a nimbler multi-value transmission planning process.

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<sup>9</sup> MISO Feb. 4 Filing, Transmittal Letter at 29.

<sup>10</sup> OMS Statement of Principles: Cost Allocation for Long Range Transmission Planning Projects (Approved Jan. 25, 2021). Principle 1 states: "The costs of new transmission projects should be allocated to cost causers and beneficiaries in a manner that is at a minimum roughly commensurate with, and preferably proportional to, the costs caused and benefits of those projects."

Respectfully submitted,

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March 7, 2022



**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served a copy of the foregoing document, via electronic mail or first class mail, upon each party on the official service list compiled by the Secretary of the Federal Energy Regulatory Commission in this proceeding.

Dated at Washington, D.C., this 7<sup>th</sup> day of March, 2022.

/s/ Jon Trotta  
Jonathan P. Trotta