

**COST ALLOCATION AND REGIONAL PLANNING (CARP) MEETING
CARP VIII
August 17 - 18
Minnesota Public Utilities Commission Hearing Room
St. Paul, MN**

MINUTES

Call of the Roll

Dave J. (IN), Kevin Gunn (MO), Mike Proctor (MO), Jerry Lein (ND), Nicholas Bowden (IL), Randy Rissmiller (IL), Valerie Lemmie (OH), Hisham Choueiki (OH), Greg Rislov (SD), Chancy Bittner (IA), Steve Cameron (MT), Monica Martinez (MI), Angie Butcher (MI), Jim Melia (PA), Marya White (MN), Tom Pugh (MN), Burl Haar (MN),

On phone: Dennis Koepke (WI); Bill Bowker (KY) [this is the first strike (of two) for negotiators to participate by phone]

John Baer (MISO) joined by phone and provided a welcome for the CARP group.

RECB Taskforce Update

Commissioner Azar provided an update of the RECB taskforce. At the last meeting, the taskforce had its first discussion on injection-withdrawal. The members of the taskforce found the concept very intriguing, but they are very interested in the details. They will be getting further information at future meetings.

Eastern Interconnection Wide Planning Update

Commissioner Azar identified that group of state policymakers now has a name – the Eastern Interconnection States’ Planning Council (EISPC – or “Ice Pick”). The DOE extended the deadline for filing to September 14th. [Note – the Council will have a conference call on September 8th to discuss and take a roll-call vote on the final filing document].

UMTDI Update

Marya White provided an update on the UMTDI efforts. She identified that staff have done a lot of work for the Executive Team on cost allocation issues and legal issues. Copies of the staff documents are available on the OMS website – note that stakeholders have also provided responses to the draft documents.

<http://www.misostates.org/UMTDICostAllocationWGList.htm>

Modeling Update and New Decisions

JT and Ryan from the Midwest ISO provided updated information about the initial EGEAS runs they have been performing for CARP. To be more refined in their runs that will be shaped into a PROMOD analysis, they identified a number of decisions that the CARP negotiators would need to make for the PROMOD analysis to move forward.

ISSUE 1: JT identified that CCS appears to be picked very early. Since they are using EIA data, it is relevant that EIA shows CCS as being available as early as 2016. Given that this assumption may be unlikely, CARP may want to move to a later date.

ISSUE 2: The second major issue: which 4 futures does CARP want to move forward into a PROMOD analysis?

CARP took these issues up in reverse order.

PROPOSAL: use the following four futures for PROMOD analysis

- Business as usual (High Demand Growth)
- Federal RPS
- Carbon Cap/Fed RPS
- Federal RPS/Carbon Cap/Smart Grid/Electric Vehicles

VOTE:

ALL Green

Illinois did not vote.

Kentucky did not participate.

Hisham (OH) will perform a statistical analysis of the variables that will be run in PROMOD to ensure that there is enough variability in the four futures. If his analysis shows something that needs to be adjusted, we can do that at a later date.

****UPDATE****

Hisham’s analysis revealed that it would provide the maximum comparative to modify the futures that we use. Instead of the Carbon Cap/RPS future, Hisham’s analysis revealed that using just the carbon cap future.

Subsequent to the CARP meeting, an email was sent out requesting negotiators to vote on whether to change this future. The result of this email vote is as follows:

11 = Green (vote to change the future) 1 = White (MI) 1 = Not Voting (KY)

Therefore, the future scenarios that will be carried forward to the PROMOD analysis will be: (1) Business As Usual (High Growth); (2) RPS; (3) Carbon Cap; and (4) RPS + Carbon Cap + Smart Grid + Electric Vehicles.

****UPDATE2****

Subsequent to the meeting, JT identified an issue with the PROMOD analysis that the negotiators needed to decide. The issue related to the growth rates used outside of the Midwest ISO footprint but which are in the Eastern Interconnection. The Midwest ISO modeling team proposed using PowerBase figures for the external growth rates, which would provide some variability throughout the interconnection. The numbers in the chart below are the powerbase figures (the numbers for the Midwest ISO are those agreed upon by the CARP negotiators).

	Low		Mid		High	
Study Region	Demand	Energy	Demand	Energy	Demand	Energy
Energy	0.34%	0.23%	0.84%	0.76%	1.80%	1.66%
IESO	0.11%	0.13%	0.27%	0.42%	0.57%	0.92%
New England	0.43%	0.23%	1.06%	0.77%	2.27%	1.69%
Midwest ISO	0.30%	0.30%	0.75%	1.00%	1.60%	2.19%
MAPP	0.23%	0.23%	0.57%	0.76%	1.21%	1.67%
New York	0.17%	0.11%	0.43%	0.35%	0.92%	0.77%
PJM	0.36%	0.23%	0.89%	0.75%	1.90%	1.65%

SERC	0.44%	0.28%	1.11%	0.93%	2.37%	2.04%
SPP	0.25%	0.25%	0.63%	0.84%	1.35%	1.85%
TVA	0.43%	0.12%	1.06%	0.41%	2.27%	0.89%

The negotiators voted by email to use these figures for external growth rates. The vote tally was as follows:

12 = Green 1 = Not Voting (KY)

ISSUE: CCS ISSUES

PROPOSAL: Should CARP extend the time frame when CCS can first come online in the modeling (out from 2016)?

VOTE: All green, except North Dakota (ND voted white)

PROPOSAL: Should CARP limit the amount of CCS generation available in the model?

VOTE [A green vote would be voting “yes” to imposing limitations on the amount of CCS that the model could select]

- Green: MO, MI, WI (3)
- Red: IL, OH, PA (3)
- White: IN, ND, SD, IA, MN, MT (6)

This motion failed. There will not be a limitation on the amount of CCS the model can select.

PROPOSAL: Should CARP extend CCS availability to 2021?

VOTE: All Green.

Modeling Update - SITING

Ryan Westphal from the Midwest ISO provided information on the criteria that they are using for the siting of new generation. While the EGEAS model will determine how much “new” generation is needed, this element of the modeling will help to select the areas where that “new” generation will be built. Clearly, this is a critical component of transmission planning since you need to know where any new transmission will need to be built from.

1. Do we want to make any modifications to the general rules that are used in the siting analyses?

PROPSAL: Should we continue the rule or exclude native lands as part of “Class 1” lands?

VOTE: Green: MO, ND, SD, IA, PA, MN, WI (7); Red: IN, MT (2); White: IL, OH, MI (3)

CARP will continue to use the default rule with respect to Class 1 Lands. However, you can send in state specific issues to Ryan. This is intended for states to identify that there may be “Class 1” lands in their state that are NOT off limits, or to identify that there are areas of a state that may not be in a “Class 1 land” but which are “untouchable.”

Negotiators should send any information to Ryan Westphal at Midwest ISO (his contact information was provided in a separate email after the meeting.

PROPOSAL: CC/CT should only be limited by the criteria relating to its proximity to a pipeline.

VOTE: Green: MT (1); Red: All others.

The status quo will remain.

Discussion of Recent Court of Appeals Decision

Randy Rissmiller and Brian Rybarik discussed a recent 7th Circuit Court of Appeals decision. In the case, a divided three-judge panel overturned a FERC order approving a postage-stamp rate design for new transmission lines in the PJM footprint that operate at voltages of 500-kV or more.

The court did uphold FERC's approval of PJM's rate design with respect to existing transmission facilities.

A copy of the Court’s opinion is here:

<http://www.ca7.uscourts.gov/tmp/Q10MT7MT.pdf>

AUGUST 18th

Perspectives From FERC

FERC Commissioner Mark Spitzer spoke about current happenings at FERC and about their view on efforts like CARP. Commissioner Spitzer stayed for the entire day to learn more about CARP’s efforts.

Injection –Withdrawal

Clair Moeller, Midwest ISO [Clair received a phone call during the presentation and would like to note that he ignored his boss in favor of the CARP group]
Jennifer Curran, Midwest ISO

Clair identified that the general theory behind the injection-withdrawal cost allocation is this: If you use it, you should pay. He compared the theory to a gasoline tax, but identified the critical component as finding a good way to split the access and use.

Clair identified that a key component of the injection-withdrawal allocation is flexibility. For example, what if there was a 765 line from the west to the east, but Minnesota wanted it underground, it would be possible to impose that additional cost on Minnesota ratepayers only because it is a more localized benefit.

This is essentially a fee – a fee for usage and a fee for sharing. Not an allocation of the construction costs per se. The fee relates to the system, not necessarily a specific project.

The costs that should be included in the fee will be a critical decision, i.e., what voltage levels, what are local benefits, etc. Another critical question will be: will we split the costs between load and generation? If yes, how?

Another key component will be an annual true-up: part of the problem with RECB is that it is a snapshot. I-W will be true-up each year.

A generator – if it WANTS to operate, it has to pay its access fee. If it doesn't run, it won't pay a usage fee. Load is the same – you have a baseline access fee, and a usage fee.

RANDY R: Identified a concern that the benefits of a robust system might not be adequately captured in an access charge mentality.

Embedded transmission costs: there is not a proposal at this point. Another question will be whether we want to reflect in the access charge the use of the current transmission system?

NEXT STEPS:

This is very preliminary data you are looking at. We really need to know what the questions are to move forward – what should MISO be focusing on?

- Should we be contemplating some embedded cost (pre RTO costs)?
- Look more closely at energy interchange issues – trying to get at the “free rider” issue.
- Nearly have a set of transmission in the R-GOS; look at these and see what happens with an Injection-Withdrawal allocation
- Asset Owner – we saw overall impact on zones, but we don't know what happens to load if we go to this model.

What are other issues?

- **Send questions to Jennifer Curran – the sooner you get the questions to her, the better.**

- **You have one week to get your questions to Jennifer.**

Potential Decision: should we include both generators and load as payors into this model?

For CARP 9, the goal is to have the decision tree available at that time and go through it at that time.

We may have to extend the CARP 9 meeting to two days. [Note – this is the case – CARP 9 will be September 24 and 25]

The decision tree will be sent one week before the next meeting.

Why would we want both generators and load?

Clair: generator activity may be independent from the loads. By charging both generation and load, we can recognize the distinct uses of the system.

Also, this may get at the free rider problem. It allows a mechanism to be in place to address this issue.

If you want to split it up (i.e., charge all to load or all to generator). There is a benefit of simplicity.

GREG R.: What about situations where you have a great disparity between generation and load.

Clair: This model allows you to charge both ends of the spectrum – some of this is inspired by the Dakota problem.

Greg: how would it affect those utilities in the Dakotas?

Clair: we don't know – before we get into granular data, you need to have decisions first.

Mike P: at the interregional level – this is where we should be making this decision on who should be payors.

PROPSOAL: Should costs be allocated to both generation and load?

VOTE: GREEN: IN, MO, IA, MN, MT, WI, SD (7)

RED: ND, IL, OH, PA, KY (5)

WHITE: MI (1)

Mike P.: if we do vote, I vote for applying costs to both. This area of distant generation supplying load is of great import now.

Dave J.: this makes sense to me – it just seems fair.

Marya: when generator has to pay – if you have a non-deep-pockets generator, then you are going to stop that project.

PROPOSAL: Do the negotiators want to revisit this earlier vote today?

**VOTE: GREEN: ALL
RED:
WHITE:
Not voting: KY**

REDO VOTE: MISO WILL PROCEED HAVING BOTH GENERATORS AND LOAD PAYING for INTERREGIONAL COMPONENTS.

**VOTE: Green: ALL
Red:
White:
KY: Abstains**

Tehachapi Model – Preliminary Information/Discussion [Invited Speaker]

Laurence Chaset, Staff Counsel, California Public Utilities Commission gave a presentation on the development of transmission facilities in the Tehachapi region of California. This included information about the identification of the lines that would be needed to access generation in these areas, as well as cost allocation methodologies for paying for the upgrades.

A copy of Mr. Chaset’s presentation is available here:

<http://www.misostates.org/CARP8TehachapiPresentation.pdf>

Will get schedules out for the rest of the year soon.

September Meeting

- **EGEAS Runs and Siting Information Updates**
- **Decision tree for injection-withdrawal method**
- **Embedded costs discussion**

October Meeting

- **Will likely be a 2-day meeting – be prepared for this (likely to be dovetailed with the RECB taskforce meeting)**