Organization of MISO States Statement of Principles:
Cost Allocation for Long Range Transmission Planning Projects

The Organization of MISO States (OMS) supports regional, coordinated, long-range transmission planning, and provides the following principles to guide the allocation of costs of projects developed through MISO's Long-Range Transmission Plan (LRTP).

The cost allocation principles are not intended to drive wholesale changes to MISO's existing cost allocation methodologies unrelated to the allocation of costs for projects developed through the LRTP process.[1] Should the LRTP process determine the need for new cost allocation methodologies or changes to MISO's existing cost allocation methodologies, these changes should be thoroughly vetted in the MISO stakeholder process. These changes should be considered following the development of preliminary transmission plans, be informed by the findings from the planning analyses, and include examples of how project costs are allocated under different methodologies.

1. 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.

2. Cost allocation should be as granular and accurate as possible. Benefit-cost analysis should use metrics that are quantifiable, capable of replication, non-duplicative, and forward-looking.

3. Costs should not be allocated to parties that receive negligible or negative benefits.

4. Generators and load each can be considered cost causers, beneficiaries, or both and should be allocated costs accordingly.

5. Retail jurisdictions that directly seek to meet a public policy requirement through development of a transmission project should be considered a beneficiary of that project. To the extent that projects have a positive benefit-cost ratio but do not meet the applicable cost benefit threshold without consideration of public policy benefits, retail jurisdictions should have the opportunity to identify their own public policy benefits and be considered cost causers and beneficiaries of those facilities.[2]

6. The cost allocation methodology for a project should be fixed at the time of project approval.

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[1] The Council of the City of New Orleans ("CCNO"), the Louisiana Public Service Commission ("LPSC"), the Mississippi Public Service Commission ("MSPSC"), the Illinois Commerce Commission ("ICC"), and the Arkansas Public Service Commission ("APSC") take the position that these principles do not suggest a need for and should not be used to determine changes to MISO's existing cost allocation methodologies as part of the LRTP process.

[2] The CCNO, LPSC, MSPSC, and the APSC do not agree that retail jurisdictions should be able to identify and apply their own public policy benefit metrics to meet the cost benefit threshold for projects identified through the LRTP process. Any public policy benefit metric adopted for LRTP projects should comply with Order No. 1000, be vetted through the MISO stakeholder process, and should be applied equally to all retail jurisdictions that directly seek to meet a public policy requirement through applicable transmission projects.

7. Transmission planning and cost allocation methodologies that apply to a subregion (i.e., a geographic area that is smaller than, and contained entirely within, the MISO region) may have value and should be considered.[3, 4]

8. Individual transmission infrastructure facilities or projects that work synergistically to address one or more shared drivers should be eligible for benefit/cost evaluation and cost allocation together as a single project as well as individual facilities or projects.[5, 6]

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[3] The CCNO, LPSC, MSPSC, APSC, ICC, the Kentucky Public Service Commission, and the Public Utility Commission of Texas ("PUCT") do not support involuntary regional or sub-regional postage stamp allocations.

[4] The Indiana Utility Regulatory Commission ("IURC"), the Minnesota Public Utilities Commission ("MNPUC"), the North Dakota Public Service Commission ("NDPSC"), the Iowa Utilities Board ("IUB"), and the South Dakota Public Utilities Commission ("SDPUC") support sub-regional postage stamp cost allocation if the sub-region agrees with the postage stamp cost allocation. Theses states believe that complete prohibition of postage stamp cost allocation is inconsistent with current cost allocation.

[5] The CCNO, LPSC, MSPSC, PUCT, APSC, and ICC do not support the benefit/cost evaluation and cost allocation of "synergistically" grouped transmission facilities or portfolios of projects. Each project, including all of its components, should be evaluated and cost allocated individually.

[6] The IURC, the Michigan Public Service Commission ("MIPSC"), IUB, MNPUC, NDPSC, and SDPSC support cost allocation for a portfolio of projects, a group projects showing synergetic benefits. These states believe evaluation of a portfolio could be necessary to properly analyze all quantifiable benefits a project produces, which is required to allocate costs in correct proportions and granularity consistent with Principles 1 and 2.