

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE:

HIGH-VOLTAGE TRANSMISSION
PROJECTS

DOCKET NO. NOI-2011-0002

Reply Comments of the Midwest Independent Transmission System Operator, Inc.

The Midwest Independent Transmission System Operator, Inc. ("MISO") appreciates the opportunity to submit reply comments in response to the Iowa Utilities Board's ("Board") November 4, 2011, Order Soliciting Reply Comments. Due to the simultaneous filing of comments by MISO ("MISO Comments") and other interested parties on November 3, 2011 in response to the Board's initial Order Opening Inquiry On High-Voltage Transmission Projects and Soliciting Comments ("Order"), MISO was unable to anticipate or address the concerns raised by other parties in this docket. The comments that follow focus on several concerns raised by the Office of Consumer Advocate ("OCA Comments"). MISO is happy to address other areas the Board deems necessary to its inquiry or to provide additional information to OCA or other parties with regard to MISO's Multi Value Project portfolio of transmission projects.

MISO has included in this filing a copy of its Multi Value Project Analysis Full Report ("MVP Report") in which MISO staff recommends that the MISO Board of Directors approve the portfolio of transmission projects described in the report for inclusion in its regional expansion plan.¹ This recommendation is based on the strong reliability, public policy and

¹ The MVP Report is also available at the following link:

economic benefits of the portfolio that are distributed across the MISO footprint in a manner that is commensurate with the portfolio's costs.² The report also summarizes the key reliability, public policy and economic benefits of the recommended MVP portfolio, as well as the scope of the analyses used to determine these benefits.

- **MVP projects are intended to accommodate wind generation in support of renewable energy mandates, while also supporting other generation policies by using a set of energy zones which support wind, natural gas and other fuel sources.**

OCA contends that much of the justification for the various high voltage transmission projects in the MVP portfolio "is driven by "policy objectives" intended to significantly increase the amount of wind generation in the MISO footprint, some of which would ultimately be used by customers located in markets outside the MISO footprint."³ The MVP Report shows this is not accurate. The states' renewable energy mandates will support a number of different types of renewable resources, and multiple types of renewable resources will play a role in meeting state renewable portfolio standard ("RPS") mandates.⁴ Importantly, the portfolio will provide value under a variety of different generation policies. The energy zones used in MISO's MVP analysis were created to support multiple generation fuel types. For example, the correlation of the energy zones to existing transmission lines and natural gas pipelines was a

<https://www.misoenergy.org/layouts/MISO/ECM/Redirect.aspx?ID=120701>. Voluminous appendices to the MVP Report are available at the following link:

<https://www.misoenergy.org/Library/Pages/ManagedFileSet.aspx?SetId=694>

² In short, the proposed MVP portfolio will:

- Provide benefits in excess of its costs under all scenarios studied, with its benefit to cost ratio ranging from 1.8 to 3.0.
- Maintain system reliability by resolving reliability violations on approximately 650 elements for more than 6,700 system conditions and mitigating 31 system instability conditions.
- Enable 41 million MWh of wind energy per year to meet renewable energy mandates and goals.
- Provide an average annual value of \$1,279 million over the first 40 years of service, at an average annual revenue requirement of \$624 million.
- Support a variety of generation policies by using a set of energy zones which support wind, natural gas and other fuel sources.

³ See OCA Comments at pp. 3-4.

⁴ See MVP Report at p. 10.

major factor considered in the design of the zones.⁵ In addition, MVP projects are expected to enhance system reliability and efficiency under a variety of different generation build outs.⁶

OCA also contends that to overcome a lack of consensus on renewable energy objectives “MISO has, in effect, foisted an RPS standard on all of the states in its footprint through the public policy criterion in its MVP cost allocation tariff.”⁷ MISO observes that currently all but one state within the MISO footprint has RPS requirements or goals.⁸ MISO has participated in ongoing study processes since 2002 with state regulators and industry stakeholders. More recently, MISO has been working with such stakeholders as the Midwest Governor’s Association (MGA), the Upper Midwest Transmission Development Initiative (UMTDI) and the Organization of MISO States (OMS), to identify transmission projects needed by load serving entities to meet their RPS requirements. As part of its MVP study process, MISO considered existing renewables rules in the various states, and also modeled several alternative scenarios of transmission needed to meet the various states requirements.⁹ However, as explained the MISO comments¹⁰ and in the MVP Report, the total regional benefit of the MVP portfolio goes far beyond the RPS requirements, thus even a state without an RPS requirement or with an RPS benefit that must be met by in-state generation will receive substantial benefits.

With regard to customers located in markets outside the MISO footprint, the MVP Report found that some displacement of generation is expected in border areas.¹¹ However, the greatest benefits of the MVP portfolio will inure to customers within the MISO footprint. Also, it is important to understand that only RPS requirements of internal MISO load were considered in the Candidate MVP Portfolio study, and not any RPS requirements applicable to load external to the MISO footprint. Customers in MISO will reap the greatest economic benefits including but

⁵ See MVP Report at p. 70 and Figure 9.1 (showing energy zone correlation with the locations of natural gas pipelines).

⁶ See MVP Report at p. 8-10, 19.

⁷ See OCA Comments at p. 8.

⁸ See MVP Report at p. 10. Twelve of thirteen states in the MISO footprint have enacted either RPS requirements or renewable energy goals which require or recommend varying amounts of load be served with energy from renewable energy resources. The MVP portfolio analysis focused on the transmission necessary to economically and reliably meet the state RPS mandates and goals. Figure 3.1 provides state-specific details regarding the various states’ RPS requirements or goals. At this time, Kentucky is the only state in the MISO footprint that does not have an RPS requirement or renewable energy goal.

⁹ See MVP Report at pp.3, 11-15.

¹⁰ See MISO Comments at p. 7.

¹¹ See MVP Report at p. 52 (noting that the MVP portfolio leads to a more efficient usage of generation resource across the entire study footprint, with some level of generation displacement occurring in external regions, particularly in PJM and SERC).

not limited to reduced congestion and greater fuel savings, operating reserve and system planning operating reserve benefits, and transmission line loss reductions.¹²

- **MISO’s MVP process is supported by a robust business case for the recommended portfolio of transmission projects and will be updated over time.**

OCA recognizes that a robust business case for MVP transmission projects is necessary due to the amount of uncertainty and speculation as to costs and benefits that arise when planning for significant transmission expansion in order to meet evolving public policy objectives, and that MISO has conducted such an analysis.¹³ However, OCA also alleges that MISO’s critical planning studies and MVP-related business cases are not periodically updated, and implies that MISO’s business case is therefore insufficiently robust.¹⁴ To the contrary, MISO has studied in detail the MVP projects and associated portfolio for the past three years, the first two of which were under the Regional Generation Outlet Study and the final year under the Candidate MVP Portfolio study. During this entire process, MISO worked closely with stakeholders to continuously update models, futures, policy drivers, design attributes and cost estimates as appropriate. Also, all MVPs will be subject to reviews at least once every three years, to monitor the cost and benefits of all approved MVPs.¹⁵

- **MISO’s MVP cost allocation principles have been approved by FERC and are consistent with public policy.**

OCA alleges that MISO’s cost allocation policies related to MVP projects are calculated to unfairly limit the financial risks to transmission owners by exempting generation owners from cost responsibilities, and shifting cost responsibility to as many customers as possible outside of the state with transmission siting authority.¹⁶ To the contrary, the Federal Energy Regulatory Commission (“FERC”) has upheld all major attributes of the MVP proposal including the proposed MVP criteria and the MVP cost allocation mechanism.¹⁷ FERC specifically addressed

¹² See MVP Report at pp. 82-84.

¹³ See OCA Comments at p. 9.

¹⁴ See OCA Comments at 10.

¹⁵ See Order denying in part and granting in part rehearing, conditionally accepting compliance filing, and directing further compliance filings, *Midwest Independent Transmission System Operator, Inc.*, 137 FERC ¶61,074 (October 21, 2011) (“MVP Order on Rehearing”) at ¶191 (requiring MISO to conduct reviews at least every three years in order to monitor the costs and benefits of the cumulative effects of all approved MVPs and to work with its stakeholders to determine the factors that should be considered in such reviews).

¹⁶ See OCA Comments at pp.11-12.

¹⁷ See generally MVP Order on Rehearing. Many parties to the FERC proceeding have recently filed petitions for review of FERC’s MVP-related orders in the United States Court of Appeals for the District of Columbia Circuit,

and resolved the concerns described by OCA as raised by interveners in the FERC proceeding. With regard to generator interconnection costs, FERC found that the MVP methodology strikes an appropriate balance in which the costs of new transmission facilities that provide regional benefits are allocated on a regional basis while new transmission facilities required solely for generator interconnection service are allocated to the interconnection customer that caused the new transmission facilities to be necessary.¹⁸

Conclusion

As indicated in its Initial Comments, MISO is committed to continuing to operate in the most effective, efficient way possible, and is committed to participating in important inquiries such as the instant high voltage transmission projects docket before the Board. MISO is committed to continuous improvement through its open and transparent stakeholder processes and to create value through efficient and reliable market operations, coordinated and effective planning, and creative innovation. If there is additional information that MISO can provide in support of the Board's inquiry, or if MISO can provide additional information to OCA or other parties with regard to MISO's role and responsibilities or its MVP portfolio, MISO is happy to do so.

Respectfully Submitted,

/s/ David M. DeSalle

David M. DeSalle
Venable LLP
575 7th Street, N.W.
Washington, DC 20004-2166
Telephone (202) 344-4504
Facsimile (202) 334-8300

Attorney for the
MIDWEST INDEPENDENT
TRANSMISSION SYSTEM
OPERATOR, INC.

December 5, 2011

and the United States Court of Appeals for the Seventh Circuit.
¹⁸ See MVP Order on Rehearing at ¶ 210, and discussion at ¶¶210-214.

CERTIFICATE OF SERVICE

I hereby certify that a true and accurate copy of the foregoing filing and comments of MISO was electronically provided consistent with the Board's Order and directions on electronic filing on this the 5th day of December, 2011.

/s/ Rhiannon R. Shelley
Rhiannon R. Shelley
MISO
720 City Center Drive
Carmel, IN 46032
Telephone (317) 249-5894