

June 22, 2015

BY ELECTRONIC FILING

Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

Re: The Southeastern Regional Transmission Planning Process
Compliance Filings to *Midcontinent Independent System Operator, Inc., et al.*,
150 FERC ¶ 61,045 (2015)
Interregional Compliance Filing for the MISO-SERTP Seam

Duke Energy Carolinas, LLC and Duke Energy Progress, Inc.,
Docket No. ER13-1928

Kentucky Utilities Company and Louisville Gas and Electric Company,
Docket No. ER13-1930

**Ohio Valley Electric Corporation, including its wholly owned subsidiary Indiana-
Kentucky Electric Corporation,**
Docket No. ER13-1940

Southern Company Services, Inc.,
Docket No. ER13-1941

Dear Ms. Bose:

Pursuant to Section 206 of the Federal Power Act¹ (“FPA”), the Federal Energy Regulatory Commission’s (“Commission” or “FERC”) order issued in *Midcontinent Independent System Operator, Inc.*, 150 FERC ¶ 61,045 (2015) (the “MISO-SERTP Order” or “Order”), and the Commission’s *Notice Granting Extension of Time*, issued in the above dockets on March 6, 2015, Duke Energy Carolinas, LLC and Duke Energy Progress, Inc. (collectively, “Duke”); Louisville Gas and Electric Company and Kentucky Utilities Company (“LG&E/KU”); Ohio Valley Electric Corporation, including its wholly owned subsidiary Indiana-Kentucky Electric Corporation (“OVEC”); and Southern Company Services, Inc., acting as agent for Alabama Power Company, Georgia Power Company, Gulf Power Company, and Mississippi Power Company (collectively “Southern Companies”), hereby provide their compliance filings to the MISO-SERTP Order. An effective date of January 1, 2015 is requested for these compliance filings.

¹ 16 U.S.C. § 824e.

I. INTRODUCTION

A. Background

Duke, LG&E/KU, OVEC, and Southern Companies (collectively, the “SERTP Filing Parties” or “Jurisdictional SERTP Sponsors”) are all public utility transmission providers that sponsor the Southeastern Regional Transmission Planning process (“SERTP”). In addition to the Jurisdictional SERTP Sponsors, the SERTP also is supported by the following nonjurisdictional transmission owners and service providers: Associated Electric Cooperative Inc. (“AECI”), Dalton Utilities (“Dalton”), Georgia Transmission Corporation (“GTC”), the Municipal Electric Authority of Georgia (“MEAG”), PowerSouth Energy Cooperative (“PowerSouth”), and the Tennessee Valley Authority (“TVA”) (collectively, the “Nonjurisdictional SERTP Sponsors”) (the Jurisdictional SERTP Sponsors and Nonjurisdictional SERTP Sponsors are collectively referred to herein as the “SERTP Sponsors”).

This filing involves the SERTP Sponsors’ proposals to comply with Order No. 1000’s² interregional transmission planning and cost allocation requirements with a neighboring transmission planning region – Midcontinent Independent System Operator, Inc. (“MISO”). By way of background, on July 10, 2013, the Jurisdictional SERTP Sponsors submitted their initial, joint proposals in the above-referenced dockets to comply with Order No. 1000’s interregional transmission coordination and cost allocation requirements with the five transmission planning regions neighboring the SERTP. In addition to MISO, the other transmission planning regions that are adjacent to the SERTP are the Florida Reliability Coordinating Council (“FRCC”), PJM Interconnection, L.L.C. (“PJM”), Southwest Power Pool, Inc. (“SPP”), and the South Carolina Regional Transmission Planning process (“SCRTP”). While there are many similarities between the compliance proposals between the SERTP and each of the neighboring regions, each compliance proposal was specific to each neighboring region and reflected extensive negotiations between the SERTP Sponsors and the relevant transmission providers in each of those regions. Accordingly, the initial proposals with MISO were joint proposals, with the SERTP Filing Parties and MISO having coordinated their efforts closely prior to filing to develop agreed-upon, substantively parallel tariff language relating to interregional coordination.

On January 23, 2015, the Commission issued the MISO-SERTP Order, which addresses the initial compliance proposals submitted by MISO and the SERTP Filing Parties.³ While accepting important aspects of those compliance proposals, the Order requires some changes. The instant filing provides the Jurisdictional SERTP Sponsors’ compliance filing to the Order.

² *Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities*, Order No. 1000, FERC Stats. & Regs. ¶ 31,323 (2011), *order on reh’g and clarification*, Order No. 1000-A, 139 FERC ¶ 61,132, *order on reh’g and clarification*, Order No. 1000-B, 141 FERC ¶ 61,044 (2012) (“Order No. 1000”).

³ On that same date, the Commission also issued separate orders addressing the compliance filings by the SERTP Filing Parties and the filing parties in PJM, the FRCC, and the SCRTP for the SERTP-PJM, SERTP-FRCC, and SERTP-SCRTP seams. See *PJM Interconnection, L.L.C., et al.*, 150 FERC ¶ 61,046 (2015) (“PJM-SERTP Order”); *Duke Energy Carolinas, LLC et al.*, 150 FERC ¶ 61,044 (2015) (“FRCC-SERTP and SCRTP-SERTP Order”). In addition, on March 19, 2015, the Commission issued its order addressing the compliance filings by the SERTP Filing Parties and SPP. *Southwest Power Pool, Inc., et al.*, 150 FERC ¶ 61,210 (2015) (“SPP-SERTP Order”). The Jurisdictional SERTP Sponsors and the filing parties in the FRCC and SCRTP submitted their compliance filings to the FRCC-SERTP and SCRTP-SERTP Order on March 24, 2015. The Jurisdictional SERTP Sponsors and SPP submitted their compliance filings to the SPP-SERTP Order on May 18, 2015, and the Jurisdictional SERTP Sponsors and the filing parties in PJM submitted their compliance filings to the PJM-SERTP Order on May 26, 2015.

As with their initial compliance filings submitted in these dockets on July 10, 2013, the SERTP Sponsors have engaged in extensive outreach and coordination with MISO.⁴ Significantly, the SERTP Sponsors and MISO have reached full agreement on all points at issue in this compliance filing. Accordingly, MISO and Jurisdictional SERTP Sponsors are hereby submitting (by separate filings being made contemporaneously) parallel tariff language to comply with the Order.

B. The Jurisdictional SERTP Sponsors' Filing of Their Respective Tariff Records

While the Jurisdictional SERTP Sponsors are submitting this common transmittal letter, each such Jurisdictional SERTP Sponsor is individually submitting the relevant revised provisions to its respective open access transmission tariff ("OATT") through eTariff to comply with the Commission's filing requirements. In these compliance filings, each Jurisdictional SERTP Sponsor will include in its filing its specific tariff records and corresponding clean and marked tariff attachments, but not the tariff records to be filed by the other Jurisdictional Sponsors. Additionally, it is important to note that the tariff records and clean and marked tariff attachments are not absolutely identical across all four filings of the Jurisdictional SERTP Sponsors as they reflect differing local planning processes and slight variations in terminology used in the corresponding tariffs.

II. OATT REVISIONS TO COMPLY WITH THE ORDER

MISO and the Jurisdictional SERTP Sponsors have agreed to a common approach and parallel tariff language in their respective OATTs to satisfy Order No. 1000's interregional coordination and cost allocation requirements for their collective seam. For MISO, this tariff language for the MISO-SERTP seam is found in proposed Section X of Attachment FF of MISO's OATT.

For the Jurisdictional SERTP Sponsors, this parallel tariff language is included in their respective OATTs as follows:

- For Duke, the implementing tariff language is found at Attachment N-1 MISO of Duke's Joint OATT.
- For LG&E/KU, the implementing tariff language is found at Appendix 7 to Attachment K of LG&E/KU's OATT.
- For OVEC, the implementing tariff language is found at Attachment M-2 of OVEC's OATT.
- For Southern Companies, the implementing tariff language is found at Attachment K-5, "Interregional Transmission Coordination Between SERTP and MISO," of Southern Companies' OATT.

⁴ Several transmission owners within MISO ("MISO TOs") are also supporting MISO's compliance filing being filed contemporaneously hereto. For ease of convenience, this transmittal letter may refer to both MISO and the MISO TOs as "MISO."

In an effort to facilitate the Commission's review of these filings being made contemporaneously by MISO and the SERTP Jurisdictional Sponsors, they have coordinated in drafting their transmittal letters.

To further facilitate the Commission's review of the proposals made herein, the headings under this Section II of the transmittal letter generally follow the topic headings under "Article IV. Discussion, B. Substantive Matters" in the Order.⁵

1. Interregional Transmission Coordination Requirements

a. General Requirements

Interregional Transmission Facility Definition

The January 23 Order found that MISO and SERTP partially complied with Order No. 1000 by proposing sufficiently identical Tariff language regarding interregional facility identification and evaluation procedures.⁶ However, the Commission found that the MISO and the SERTP Filing Parties' proposed definition of interregional transmission facilities, as existing facilities interconnected to the systems of at least one existing MISO TO and at least one SERTP Sponsor, was narrower than that required by Order No. 1000.⁷ The Commission found that this definition would exclude facilities that have been selected in MISO and the SERTP Filing Parties' regional plans but which are under development by an entity that is not yet a SERTP Sponsor or a MISO TO.⁸ The Commission further rejected MISO's and the SERTP Filing Parties' requirement that an interregional transmission facility qualify as a Market Efficiency Project ("MEP") in MISO, finding that this requirement does not comply with Order No. 1000's Interregional Cost Allocation Principles 1 and 6.⁹ Accordingly, the Commission directed the Filing Parties to propose, on compliance, a definition of "interregional

⁵ Before turning to the proposals being filed herein to comply with the Order, Southern Companies bring to the Commission's attention what Southern Companies understand to be an inadvertent, harmless error found in the Order. In particular, Appendix A to the Order identifies and provides abbreviations for the parties that intervened in one or more of the underlying FERC dockets. Therein, the Order identifies "Southern Companies" as including Southern Power Company. Southern Companies note that, as demonstrated by a review of their interventions and other filings made in these dockets, Southern Power Company (while an affiliate of Southern Companies) has not participated in these proceedings (among other things, Southern Power Company is not a public utility transmission provider subject to Order No. 1000). Southern Companies understand that the foregoing is an inadvertent, harmless error but bring this matter to the Commission's attention should it need to be rectified.

⁶ *Id.* at P 36

⁷ *Id.* at P 37.

⁸ *Id.*

⁹ *Id.* at PP 38-39. The six cost allocation principles are: (1) costs must be allocated in a way that is roughly commensurate with benefits; (2) there must be no involuntary cost allocation to non-beneficiaries; (3) a benefit to cost threshold ratio cannot exceed 1.25; (4) costs must be allocated solely within the transmission planning region or pair of regions unless those outside the region or pair of regions voluntarily assume costs; (5) there must be a transparent method for determining benefits and identifying beneficiaries; and (6) there may be different methods for different types of transmission facilities. *Order No. 1000* at PP 622-693.

transmission facility” that removed these two requirements.¹⁰ Specifically, the Commission found that:

[W]e find that SERTP Filing Parties and MISO’s description of an interregional transmission facility that is eligible for interregional cost allocation is overly limiting ... While SERTP Filing Parties and MISO’s proposal to allow only interconnecting interregional transmission facilities to be eligible for interregional cost allocation is consistent with the requirements of Order No. 1000, limiting this interconnection to only interregional transmission facilities that interconnect to the transmission facilities of one or more SERTP Sponsors and one or more MISO transmission owners is unduly limiting. Order No. 1000 did not limit stakeholders and transmission developers to proposing only interregional transmission facilities that would interconnect to *existing* transmission facilities of *an existing* transmission owner, or a transmission owner *enrolled* in the respective transmission planning regions. SERTP Filing Parties and MISO’s proposed language would preclude interregional transmission facilities from interconnecting with transmission facilities that are selected in the regional plan for purposes of cost allocation but that are *currently under development* by a transmission developer who has not yet become a sponsor in SERTP or a transmission owner in MISO.¹¹

The Commission then concluded, in pertinent part, that MISO and the SERTP Filing Parties must “include a definition of an interregional transmission facility that is consistent with Order No. 1000, which defines an interregional transmission facility as one that is located in two or more transmission planning regions...”¹²

To comply with these directives, MISO and the SERTP Filing Parties have jointly developed the following proposal that would make corresponding changes to Section 4.1.A(i) and Section 4.1.B. Specifically, in both of those referenced Sections, MISO and the SERTP Filing Parties propose to revise their definition of a transmission project that is eligible to seek interregional cost allocation as a project that interconnects to

transmission facilities in both the SERTP and MISO regions. The facilities to which the project is proposed to interconnect may be either existing facilities or transmission projects included in the regional transmission plan that are currently under development.

This revised definition tracks the revisions proposed by MISO to Sections X.D.1.a.i and X.D.1.b of Attachment FF of MISO’s Tariff.

¹⁰ January 23 Order at P 39.

¹¹ Order, P 37 (internal footnotes omitted) (emphasis in original and added). The Order repeats these requirements at PP 171, 175.

¹² *Id.*, P 39.

b. Implementation of the Interregional Transmission Coordination Requirements

i. Data Exchange and Identifying Interregional Transmission Facilities

Identification of Interregional Transmission Projects

With regard to the identification of interregional transmission facilities, the Commission accepted MISO's and the SERTP Filing Parties' "proposal to rely on the regional transmission planning processes as the forum for stakeholders and transmission developers to propose interregional transmission facilities for joint evaluation."¹³ However, the Commission held that:

SERTP Filing Parties and MISO have not explained how a proponent of an interregional transmission facility may seek to have its interregional transmission facility jointly evaluated by SERTP Filing Parties and MISO by submitting the interregional transmission facility into SERTP Filing Parties and MISO's regional transmission planning processes. Accordingly, we direct SERTP Filing Parties and MISO to submit ... further compliance filings with proposed revisions to their tariffs that satisfy these requirements.¹⁴

To comply with this directive and make clear how a proponent of an interregional transmission project may seek to have its project jointly evaluated, MISO and the SERTP Filing Parties propose to add a new Section 3.3. As shown below, this new language articulates the steps by which such a proponent may identify an interregional transmission project in order to trigger MISO's and the SERTP Filing Parties' joint evaluation procedures. As proposed, the new language provides:

3.3 Identification of Interregional Transmission Projects by Developers:

Interregional transmission projects proposed for interregional cost allocation purposes ("Interregional CAP") must be submitted in both the SERTP and MISO regional transmission planning processes. The project submittal must satisfy the requirements of Section 4.1 except for the benefit-to-cost ratio requirements of Section 4.1.A(ii).¹ The submittal must identify the potential transmission project as interregional in scope and identify the SERTP and MISO as regions in which the project is proposed to interconnect. The Transmission Provider will verify whether the submittal for the potential interregional transmission project satisfies all applicable requirements. Upon finding that the proposed interregional transmission project satisfies all such applicable requirements, the Transmission Provider will notify

¹³ Order, P 62.

¹⁴ *Id.*

MISO. Once the potential project has been proposed through the regional transmission planning processes in both regions, and upon both regions so notifying one another that the project is eligible for consideration pursuant to their respective regional transmission planning processes, the Transmission Provider and MISO will jointly evaluate the proposed interregional projects pursuant to Sections 3 and 4.

¹ A transmission developer is not responsible for determining the benefit-to-cost ratio referenced in Section 4.1.A(ii) in a project submittal. However, an interregional transmission project proposed for Interregional CAP must ultimately satisfy the benefit-to-cost ratio requirements in accordance with the provisions of Sections 4.1A(ii) and 4.3.

This language parallels that proposed by MISO in Section X.C.3. This language should provide clarity to proponents of interregional transmission facilities regarding how they may trigger MISO's and the Jurisdictional SERTP Sponsors' joint evaluation procedures.

ii. Procedures For Joint Evaluation

While largely finding MISO's and the SERTP Filing Parties' procedures for joint evaluation satisfy the requirements of Order No. 1000, the Commission held that:

SERTP Filing Parties and MISO do not indicate the type of transmission studies that will be conducted to evaluate conditions on neighboring transmission systems for the purpose of determining whether interregional transmission facilities are more efficient or cost-effective ... We therefore direct SERTP Filing Parties and MISO to submit further compliance filings ... listing either the type of transmission studies that will be conducted or cross references to the specific provisions in the respective tariffs that reference such studies at the regional transmission planning level.¹⁵

In accordance with this directive, MISO and the SERTP Filing Parties propose to cross reference the provisions in their respective OATTs that reference such studies at the regional transmission planning level. The Jurisdictional SERTP Sponsors propose to add a sentence in what is now Section 3.4 to provide that potential transmission solutions will be evaluated consistent with their existing OATT provisions on regional participation and the provisions on regional analysis of potentially more efficient or cost-effective transmission solutions. Specifically, in Section 3.4, after a discussion of how the joint evaluations will be performed consistent with accepted regional and local planning criteria and methods, the SERTP Filing Parties propose to add the following sentence: "The Transmission Provider will evaluate potential interregional transmission projects consistent with [Section(s) X and Y] of Attachment [K, M and N-1]," with the Section numbers and Attachment letters

¹⁵ *Id.*, P 86.

varying depending on the tariff at issue.¹⁶ This change corresponds to those being proposed by MISO in Attachment FF, Section X.C.4 of its tariff.

Using Southern Companies' Attachment K as an example, the cross references are to Section 6 and Section 11 of Southern Companies' OATT. With regard to the referenced Section 6, that Section (among other things) describes in some detail the transmission planning coordination and reliability planning processes that are utilized, including the types of modeling and studies that are performed. The referenced Section 11 describes the regional analysis that the SERTP Filing Parties' perform to determine whether there are potentially more efficient or cost-effective transmission solutions, with them committing (among other things) to "perform power flow, dynamic, and short circuit analysis, as necessary...."¹⁷ The other SERTP Filing Parties' relevant tariff sections contained similar provisions.

This cross-referencing not only complies with the Order's directive to "cross reference" the appropriate OATT sections but also is consistent with the Commission having accepted the same cross reference in one of its earlier orders addressing the SERTP Filing Parties' proposals to comply with Order No. 1000's regional requirements. Specifically, in the Commission's first order addressing the SERTP Filing Parties' regional compliance filings, the Commission required the SERTP Filing Parties to explain "how potential transmission solutions to identified transmission needs driven by public policy requirements will be evaluated."¹⁸ In response, Southern Companies adopted the same cross reference to Section 6 and Section 11 of Attachment K, and the other SERTP Filing Parties used similar cross references. This approach was accepted by the Commission upon review.¹⁹

2. Cost Allocation

Removal of MISO Market Efficiency Projects Criterion

The January 23 Order accepted MISO's and the SERTP Filing Parties' language requiring that interregional projects meet the threshold requirements of each region's regional planning process.²⁰ The Commission further accepted MISO's the SERTP Filing Parties' proposal to quantify the regional benefits of a proposed interregional transmission facility based upon the cost of regional transmission projects in each of their regional plans that could be displaced by the proposed facility.²¹ In approving this avoided cost only cost allocation method at the interregional level, the Commission noted that, by the time the interregional cost allocation methodology was applied, each region would have identified projects needed to meet needs driven by reliability, economic, and/or public policy requirements at the regional level. Therefore, these benefits would be captured by the avoided cost only methodology at the interregional level.²²

¹⁶ For Southern Companies, the relevant sections are Sections 6 and 11; for Duke, Sections 4, 5, 20 (of Attachment N-1), for LG&E/KU, Sections 3 and 21 (of Attachment K); and for OVEC, Sections 6 and 11 (of Attachment M).

¹⁷ Southern Companies' Attachment K, Section 11.1.2.

¹⁸ *Louisville Gas & Elec. Co., et al.*, 144 FERC ¶ 61,054, P 117 (2013).

¹⁹ *See Duke Energy Carolinas, LLC, et al.*, 147 FERC ¶ 61,241, P 197 (2014).

²⁰ January 23 Order at P 173.

²¹ *Id.* at P 180.

²² *Id.* at P 179.

The Commission did not accept the proposal to require potential interregional projects to qualify as Market Efficiency Projects in MISO.²³ The Commission held that while this proposal “may account for “MISO’s economic needs,” the proposal does not address the region’s “reliability needs or transmission needs driven by public policy requirements.”²⁴ The Commission found, therefore, that the proposed limitation failed to satisfy Order No. 1000’s joint evaluation requirement,²⁵ as well as Interregional Cost Allocation Principles 1 and 6.²⁶

To address this requirement to delete the limitations to “market efficiency projects” identified in the Order, the SERTP Filing Parties have deleted the words “market efficiency project” in Section 4.1.A(iii) and replaced the phrase “market efficiency projects” in Section 4.2.B(ii) with “projects.”. As the tariff sheets demonstrate, the effect of these changes is to remove the limitation and allow for the consideration of projects driven by reliability, economic, and/or public policy needs. These changes parallel those proposed by MISO as revisions to Attachment FF Sections X.D.1.A.iii and X.D.2.b.ii in its tariff.

Displacement of Previously Approved Projects

With regard to Interregional Cost Allocation Principle 6, the Commission also held that:

[W]e find that MISO’s proposal to not consider a regional transmission project for potential displacement by an interregional transmission project if the regional transmission project has already been approved in the MISO regional transmission plan fails to sufficiently consider all of the benefits that may accrue from an interregional transmission project.... Accordingly, we direct SERTP Filing Parties and MISO to submit further compliance filings ... that ... include an interregional cost allocation method that accounts for all types of benefits that were identified in the regional transmission planning processes, as required by Interregional Cost Allocation Principle 6.²⁷

On February 23, 2015, MISO filed a Request for Clarification or, in the Alternative, Rehearing in these Dockets.²⁸ The Rehearing Request sought clarification or rehearing of the January 23 Order’s statement rejecting the parties’ proposal “to not consider a regional transmission project for potential displacement by an interregional transmission project if the regional transmission project has already been approved in the MISO regional transmission plan.”²⁹ MISO sought clarification because this statement could be construed to require MISO to unwind its Commission-approved regional selection

²³ *Id.* at PP 38, 88, 173, 181, 187.

²⁴ *Id.* at P 88.

²⁵ *Id.*

²⁶ *Id.* at PP 38, 173.

²⁷ *Id.* at P 187.

²⁸ MISO & MISO Transmission Owners, “Request for Clarification and, in the Alternative, Rehearing,” Commission Docket No. ER13-1923, *et al.* (Feb. 23, 2015) (“Rehearing Request”).

²⁹ *Rehearing Request* at 3 (quoting January 23 Order at P 187).

process and terminate or suspend a project that already has been assigned to a developer if an interregional project subsequently is identified as a replacement for the previously approved project.³⁰ To the extent that the Commission intended that result, MISO sought rehearing, arguing that the Commission's directive would be contrary to MISO's Tariff, inefficient, and unfair to stakeholders.³¹ The Commission has not yet issued a ruling on the Request for Rehearing or clarified what was intended by the aforementioned directive. As a result, the Jurisdictional SERTP Sponsors have refrained from making any corresponding tariff changes with regard to this aspect of the Order so as to provide the Commission an opportunity to review that Request for Rehearing. The parties' proposed Tariff language submitted with this filing allows for an Interregional Transmission Project to displace a regional transmission project before—but not after—such regional project is approved through MISO's MTEP process.

Compliance with Cost Allocation Principles 1 & 6

After discussing the above addressed requirements in the Order pertaining to MISO's Market Efficiency Projects and the displacement of previously approved projects, the Commission then concluded that MISO and the SERTP Filing Parties must propose an interregional cost allocation methodology that:

- (1) allocates the costs of an interregional transmission facility to each transmission planning region in which the interregional transmission facility is located in a manner that is at least roughly commensurate with the estimated benefits of the facility as required by Interregional Cost Allocation Principle 1 and (2) include an interregional cost allocation method that accounts for all types of benefits that were identified in the regional transmission planning processes, as required by Interregional Cost Allocation Principle 6.³²

To address these requirements, reference is made to the foregoing proposal to remove the limitation to Market Efficiency Projects and reference is also made to the discussion above regarding MISO's pending request for rehearing. In addition, to further comply with these requirements, the SERTP Filing Parties understand that MISO proposes revisions to Attachment FF, Section I.I.E to establish a new project type, "Interregional Transmission Projects" for purposes of cost allocation. As explained in MISO's transmittal letter being filed contemporaneously hereto, the Interregional Transmission Project type essentially acts as an interface between interregional projects and MISO's existing regional project types. As such, the Interregional Transmission Project proposal in MISO further satisfies Cost Allocation Principle 6 by accounting "for all types of benefits that were identified in the regional transmission planning processes."³³ An Interregional Transmission Project can displace a regional transmission project—be it one driven by reliability, economic, or public policy needs—wherever the Interregional Transmission Project is more cost effective than a regional project. As such, this approach dovetails with MISO's and the SERTP Filing Parties' avoided cost methodology,

³⁰ *Id.* at 3-4.

³¹ *Id.* at 3, 7-8.

³² January 23, Order at P 187.

³³ *Id.* at P 187.

which the Commission has accepted for interregional projects.³⁴ In addition, the SERTP Filing Parties understand that MISO, in its transmittal letter, provides an explanation of how the costs for such an Interregional Transmission Project will be allocated in MISO's regional planning process.

Taken together, these proposed revisions satisfy the Commission's directive to ensure that "all types of benefits that were identified in the regional transmission planning processes" are accounted for by directly tying the evaluation of a proposed Interregional Transmission Project to framework applicable to the benefit that it provides.

Posting Requirement

The Order also clarified certain transparency requirements, holding that:

SERTP Filing Parties and MISO must allow stakeholders to propose, and must keep a record of, interregional transmission facilities that are found not to meet the minimum threshold criteria for transmission facilities potentially eligible for selection in a regional transmission plan for purposes of cost allocation in both the SERTP and MISO regions. In addition, as part of the information that public utility transmission providers must communicate on their website related to interregional transmission coordination procedures, SERTP Filing Parties and MISO must post a list of all interregional transmission facilities that are proposed for potential selection in the regional transmission plans for purposes of cost allocation but that are found not to meet the relevant thresholds, as well as an explanation of the thresholds the proposed interregional transmission facilities failed to satisfy.³⁵

Consistent with the Commission's directive, MISO and the SERTP Filing Parties jointly developed the following new language and propose to add a new Section 5.3 as follows:

5.3 The Transmission Provider will post a list on the Regional Planning Website of interregional transmission projects proposed for purposes of cost allocation in both the SERTP and MISO regions that are not eligible for consideration because they do not satisfy the regional project threshold criteria of one or both of the regions as well as post an explanation of the thresholds the proposed interregional projects failed to satisfy.

III. Request for Waiver

The Jurisdictional SERTP Sponsors are making this filing in compliance with the Commission's directives in the Order. By making this filing in compliance with the Order, the Jurisdictional SERTP Sponsors understand that they have hereby satisfied any of the Commission's

³⁴ *Id.* at P 180.

³⁵ *Id.* at P 174 (internal footnotes omitted).

filing requirements that might apply. Should any of the Commission's regulations (including filing regulations) or requirements that we may not have addressed be found to apply, the Jurisdictional SERTP Sponsors respectfully request waiver of any such regulation or requirement.

IV. Service

The Jurisdictional SERTP Sponsors are serving an electronic copy of this filing on the relevant Service Lists. In addition, this filing is being posted on the SERTP website, and the Jurisdictional SERTP Sponsors are posting an electronic copy of this filing on their OASIS or websites.

V. List of Documents

The following is a list of documents submitted with this filing:

- (a) This Transmittal Letter;
- (b) A Clean Tariff Attachment for posting in eLibrary; and
- (c) A Marked Tariff Attachment for posting in eLibrary.

VI. Communications

Communications concerning this filing should be directed to the undersigned attorneys or following representatives of the Jurisdictional SERTP Sponsors:

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Hon. Kimberly D. Bose

June 22, 2015

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Sincerely,

/s/ Jennifer L. Key

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CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document on those parties on the official Service List compiled by the Secretary in these proceedings.

Dated at Birmingham, Alabama, this 22nd day of June, 2015.

/s/Andrew W. Tunnell
Andrew W. Tunnell

**CLEAN
TARIFF ATTACHMENT**

EXHIBIT K-5

Interregional Transmission Coordination Between the SERTP and MISO

The Transmission Provider, through its regional transmission planning process, coordinates with the Midcontinent Independent System Operator region (“MISO”) to address transmission planning coordination issues related to interregional transmission facilities. The interregional transmission coordination procedures include a detailed description of the process for coordination between public utility transmission providers in the SERTP and MISO (i) with respect to an interregional transmission facility that is proposed to be located in both transmission planning regions and (ii) to identify possible interregional transmission facilities that could address transmission needs more efficiently or cost-effectively than transmission facilities included in the respective regional transmission plans. The interregional transmission coordination procedures are hereby provided in this Exhibit K-5 with additional materials provided on the Regional Planning website.

The Transmission Provider ensures that the following requirements are included in these interregional transmission coordination procedures:

- (1) A commitment to coordinate and share the results of the SERTP’s and MISO’s regional transmission plans to identify possible interregional transmission projects that could address transmission needs more efficiently or cost-effectively than separate regional transmission facilities, as well as a procedure for doing so;
- (2) A formal procedure to identify and jointly evaluate transmission facilities that are proposed to be located in both transmission planning regions;
- (3) A duty to exchange, at least annually, planning data and information; and

- (4) A commitment to maintain a website or e-mail list for the communication of information related to the coordinated planning process.

The Transmission Provider has worked with MISO to develop a mutually agreeable method for allocating between the two transmission planning regions the costs of new interregional transmission facilities that are located within both transmission planning regions. Such cost allocation method satisfies the six interregional cost allocation principles set forth in Order No. 1000 and are included in this Exhibit K-5.

For purposes of this Exhibit K-5, the SERTP regional transmission planning process is the process described in Attachment K of this Tariff; MISO's regional transmission planning process is the process described in section X of Attachment FF to MISO's OATT. References to the respective regional transmission planning processes in this Exhibit K-5 are intended to identify the activities described in those tariff provisions. Unless noted otherwise, Section references in this Exhibit K-5 refer to Sections within this Exhibit K-5.

1. Interregional Transmission Coordination

1.1 Annual Meeting: Representatives of the SERTP and the staff of MISO will meet no less than once per year to facilitate the interregional coordination procedures described below (as applicable). Representatives of the SERTP and MISO staff may meet more frequently during the evaluation of interregional transmission project(s) proposed for purposes of interregional cost allocation between the SERTP and MISO transmission planning regions.

1.2 Website Posting of Information on Interregional Coordination: The Transmission Provider shall utilize the Regional Planning website for communication of information related to these coordinated interregional

transmission planning procedures. The Transmission Provider shall coordinate with MISO with respect to the posting of materials to the regional planning website related to the interregional coordination procedures between the SERTP and MISO transmission planning regions. The Transmission Provider shall, at a minimum, provide the following on the Regional Planning website:

- (i) Interregional coordination and cost allocation procedures between the SERTP and MISO;
- (ii) Links to where stakeholders can register (if applicable/available) for the stakeholder committees or distribution lists of MISO;
- (iii) Documents related to joint evaluation of interregional transmission projects; and
- (iv) Status report on interregional transmission projects selected for purposes of interregional cost allocation between the SERTP and MISO.

2. Model and Data Exchange

At least annually, the Transmission Provider and MISO shall exchange their then-current regional transmission plans including power-flow models and associated data used in the regional transmission planning processes to develop such transmission plan(s). This exchange will occur when such data is available in each of the regional transmission planning processes, typically during the first calendar quarter of each year. Additional transmission-based models and data may be exchanged between the Transmission Provider and MISO as necessary and if requested. For purposes of their interregional coordination activities, the Transmission Provider and MISO will exchange only data and models used in the development of their then-current regional transmission process and plans. This data will be

posted on the pertinent regional transmission planning process' websites, consistent with the posting requirements of the respective regional transmission planning processes, and subject to the applicable treatment of confidential data and Critical Energy Infrastructure Information (CEII). The Transmission Provider shall notify MISO of such posting.

3. Identification and Joint Evaluation of Proposed Interregional Transmission Projects

3.1 Identification of Interregional Transmission Projects: At least biennially, the Transmission Provider and MISO shall meet to review the respective regional transmission plans. Such plans include each region's transmission needs as prescribed by each region's planning process. This review shall occur on a mutually agreeable timetable, taking into account each region's regional transmission planning process timeline. If through this review, the Transmission Provider and MISO identify a potential interregional transmission project that may be more efficient or cost-effective than regional transmission projects, the Transmission Provider and MISO shall jointly evaluate the potential interregional transmission project pursuant to Section 3.4.

3.2 Identification of Interregional Transmission Projects by Stakeholders: Stakeholders and transmission developers (pursuant to Section 4.1) may also propose interregional transmission projects that may be more efficient or cost-effective than regional transmission projects pursuant to the procedures in each region's regional transmission planning processes.

3.3 Identification of Interregional Transmission Projects by Developers: Interregional transmission projects proposed for interregional cost allocation

purposes (“Interregional CAP”) must be submitted in both the SERTP and MISO regional transmission planning processes. The project submittal must satisfy the requirements of Section 4.1 except for the benefit-to-cost ratio requirements of Section 4.1.A(ii).¹ The submittal must identify the potential transmission project as interregional in scope and identify the SERTP and MISO as regions in which the project is proposed to interconnect. The Transmission Provider will verify whether the submittal for the potential interregional transmission project satisfies all applicable requirements. Upon finding that the proposed interregional transmission project satisfies all such applicable requirements, the Transmission Provider will notify MISO. Once the potential project has been proposed through the regional transmission planning processes in both regions, and upon both regions so notifying one another that the project is eligible for consideration pursuant to their respective regional transmission planning processes, the Transmission Provider and MISO will jointly evaluate the proposed interregional projects pursuant to Sections 3 and 4.

3.4 Evaluation of Interregional Transmission Projects: The Transmission Provider and MISO shall act through their respective regional transmission planning processes in the joint evaluation of potential interregional transmission projects identified pursuant to Sections 3.1 and 3.2 to determine whether the inclusion of any potential interregional transmission projects in each region’s

¹ A transmission developer is not responsible for determining the benefit-to-cost ratio referenced in Section 4.1.A(ii) in a project submittal. However, an interregional transmission project proposed for Interregional CAP must ultimately satisfy the benefit-to-cost ratio requirements in accordance with the provisions of Sections 4.1A(ii) and 4.3.

regional transmission plan would be more efficient or cost-effective than regional projects. Such analysis shall be consistent with accepted transmission planning practices of the respective regions and the methods utilized to produce each region's respective regional transmission plan(s). The Transmission Provider will evaluate potential interregional transmission projects consistent with Section 6 and Section 11 of Attachment K.

3.5 Review of Proposed Interregional Transmission Projects: Initial coordination activities regarding potential interregional transmission projects will typically begin during the third quarter of each calendar year. The Transmission Provider and MISO will exchange status updates regarding interregional transmission projects that are newly proposed or that are currently under consideration as needed. These status updates will generally include, if applicable: (i) an update of the region's evaluation of the proposal(s); (ii) the latest calculation of benefits (as identified pursuant to Section 4.2); and (iii) the anticipated timeline for future assessments.

3.6 Coordination of Assumptions Used in Joint Evaluation: The Transmission Provider and MISO will coordinate assumptions and data used in joint evaluations, as necessary, including items such as:

- (i) Expected timelines and milestones associated with the joint evaluation;
- (ii) Study assumptions;
- (iii) Models; and
- (iv) Benefit calculations (as identified pursuant to Section 4.2).

- 4. Interregional Cost Allocation:** If an interregional transmission project is proposed for Interregional CAP in the SERTP and MISO transmission planning regions, then the following cost allocation and benefits calculations, as identified pursuant to Section 4.2, shall apply to the project:

4.1 Interregional Transmission Projects Proposed for Interregional Cost Allocation Purposes:

- A. For a transmission project to be eligible for Interregional CAP within the SERTP and MISO, the project must:
- (i) Interconnect to transmission facilities in both the SERTP and MISO regions. The facilities to which the project is proposed to interconnect may be either existing facilities or transmission projects included in the regional transmission plan that are currently under development;
 - (ii) Have a combined benefit-to-cost ratio of 1.25 or higher to the SERTP and MISO regions, as calculated in Section 4.3; and
 - (iii) Meet the threshold and qualification criteria for transmission projects potentially eligible to be included in the respective regional transmission plans for purposes of cost allocation in MISO and the SERTP, pursuant to their respective regional transmission planning processes.
- B. On a case-by-case basis, the Transmission Provider and MISO may consider an interregional transmission project that does not satisfy all of the criteria specified in this Section 4.1 but that: (i) meets the threshold

criteria for a project proposed to be included in the regional transmission plan for purposes of cost allocation in only one of the two regions; and (ii) would be interconnected to transmission facilities in both the SERTP and MISO regions. The facilities to which the project is proposed to interconnect may be either existing facilities or transmission projects included in the regional transmission plan that are currently under development.

- C. The transmission project must be proposed for purposes of cost allocation in both the SERTP and MISO. The project submittal must satisfy all criteria specified in the respective regional transmission processes, including the respective timeframes for submittals proposed for cost allocation purposes. If a project is proposed by a transmission developer, the transmission developer must also satisfy the qualification criteria specified by each region.

4.2 Calculation of Benefits for Interregional Transmission Projects Proposed for Interregional Cost Allocation Purposes: The benefits used to establish the allocation of costs of a transmission project proposed for Interregional CAP between the SERTP and MISO shall be determined as follows:

- A. Each transmission planning region, acting through its regional transmission planning process, will evaluate proposals to determine whether the proposed project(s) addresses transmission needs that are currently being addressed with projects in its regional transmission plan

and, if so, which projects in the regional transmission plan could be displaced by the proposed project(s).

- B. Based upon its evaluation, each region will quantify its benefits based upon the transmission costs that each region is projected to avoid due to its transmission projects being displaced by the proposed interregional transmission project as follows:
- (i) for the SERTP, the total avoided costs of projects included in the then-current regional transmission plan that would be displaced if the proposed interregional transmission project was included; and
 - (ii) for MISO, the total avoided costs of projects identified, but not approved, in the then-current regional transmission plan that would be displaced if the proposed interregional transmission project was included.

The benefits calculated pursuant to this Section 4.2 are not necessarily the same as the benefits used for purposes of *regional* cost allocation.

- 4.3. Calculation of Benefit-to-Cost Ratio for an Interregional Transmission Project Proposed for Interregional CAP:** Prior to any regional benefit-to-cost ratio calculation pursuant to either regional transmission planning process, the combined interregional benefit-to-cost ratio, referenced in Section 4.1.A, shall be calculated for an interregional transmission project proposed for Interregional CAP. Such calculation shall be performed by dividing the sum of the present value of the avoided project cost determined in accordance with Section 4.2.B.i for the SERTP region and the present value of avoided project cost determined in

accordance with Section 4.2.B.ii for the MISO region by the present value of the proposed interregional transmission project's total project cost. The present values used in the cost calculation shall be based on a common date, comparable cost components, and the latest cost estimates used in the evaluation of the interregional transmission project. The combined interregional benefit-to-cost ratio will be assessed in addition to, not in the place of, the SERTP's and MISO's respective regional benefit-to-cost ratio assessment(s) (if applicable) as specified in the respective regional processes.

4.4 Inclusion in Regional Transmission Plans: An interregional transmission project proposed for Interregional CAP in the transmission planning regions of the SERTP and MISO will be included in the respective regional transmission plans for purposes of cost allocation after:

- A. Each region has performed all evaluations, as prescribed in its regional transmission planning process, necessary for a project to be included in its regional transmission plan for purposes of cost allocation including any regional benefit-to-cost ratio calculations. Each region shall utilize the benefit calculation(s) as defined in such region's regional transmission planning process (for purposes of clarity, these benefits are not necessarily the same as the benefits determined pursuant to Section 4.2). Each region shall utilize the cost calculation(s) as defined in such region's regional transmission planning process. The anticipated percentage allocation of costs of the interregional transmission project to each region shall be based upon the ratio of the region's benefits to the sum of the benefits,

both as determined pursuant to Section 4.2, identified for both the SERTP and MISO.

- B. Each region has obtained all approvals, as prescribed in its regional process, necessary for a project to be included in the regional transmission plan for purposes of regional cost allocation.

4.5 Allocation of Costs Between the SERTP and MISO Regions: The cost of an interregional transmission project, selected for purposes of cost allocation in the regional transmission plans of both the SERTP and MISO, will be allocated as follows:

- A. Each region will be allocated a portion of the interregional transmission project's costs in proportion to such region's benefit as calculated pursuant to Section 4.2 to the sum of the benefits identified for both the SERTP and MISO calculated pursuant to Section 4.2.
 - o The benefits used for this determination shall be based upon the benefit calculation most recently performed – pursuant to the method described in Section 4.2 – before each region included the project in its regional transmission plan for purposes of cost allocation and as approved by each region.
- B. Costs allocated to each region shall be further allocated within each region pursuant to the cost allocation methodology contained in its regional transmission planning process.

4.6 Milestones of Required Steps Necessary to Maintain Status as Being Selected for Interregional Cost Allocation Purposes: Once selected in the respective

regional transmission plans for purposes of cost allocation, the SERTP Sponsors that will be allocated costs of the transmission project, MISO, and the transmission developer(s) must mutually agree upon an acceptable development schedule including milestones by which the necessary steps to develop and construct the interregional transmission project must occur. These milestones may include (to the extent not already accomplished) obtaining all necessary rights of way and requisite environmental, state, and other governmental approvals and executing a mutually-agreed upon contract(s) between the applicable SERTP Sponsors, MISO and the transmission developer. If such critical steps are not met by the specified milestones and then afterwards maintained, then the Transmission Provider and MISO may remove the transmission project from the selected category in the regional transmission plans for purposes of cost allocation.

4.7 Interregional Transmission Project Contractual Arrangements: The contracts referenced in Section 4.6 will address terms and conditions associated with the development of the proposed interregional transmission project included in the regional transmission plans for purposes of cost allocation, including but not limited to:

- (i) Engineering, procurement, construction, maintenance, and operation of the proposed transmission project, including coordination responsibilities of the parties;
- (ii) Emergency restoration and repair;

- (iii) The specific financial terms and specific total amounts to be charged by the transmission developer of the transmission project to each beneficiary, as agreed to by the parties;
- (iv) Creditworthiness and project security requirements;
- (v) Milestone reporting, including schedule of projected expenditures;
- (vi) Reevaluation of the transmission project; and
- (vii) Non-performance or abandonment.

4.8 Removal from Regional Transmission Plans: An interregional transmission project may be removed from the Transmission Provider's or MISO's regional transmission plan(s) for Interregional CAP: (i) if the transmission developer fails to meet developmental milestones; (ii) pursuant to the reevaluation procedures specified in the respective regional transmission planning processes; or (iii) if the project is removed from one of the region's regional transmission plans pursuant to the requirements of its regional transmission planning process.

- A. The Transmission Provider shall notify MISO if an interregional transmission project or a portion thereof is likely to be, and/or is actually removed from its regional transmission plan.

5. Transparency

5.1 Stakeholders will have an opportunity to provide input and feedback within the respective regional transmission planning processes of the SERTP and MISO related to interregional transmission projects identified, analysis performed, and any determination/results. Stakeholders may participate in either or both regions'

regional transmission planning processes to provide their input and feedback regarding the interregional coordination between the SERTP and MISO.

5.2 At the fourth quarter SERTP Summit, or as necessary due to current activity of proposed interregional transmission projects, the Transmission Provider will provide status updates of interregional activities including:

- (i) Facilities to be evaluated;
- (ii) Analysis performed; and
- (iii) Determinations/results.

5.3 The Transmission Provider will post a list on the Regional Planning Website of interregional transmission projects proposed for purposes of cost allocation in both the SERTP and MISO regions that are not eligible for consideration because they do not satisfy the regional project threshold criteria of one or both of the regions as well as post an explanation of the thresholds the proposed interregional projects failed to satisfy.

**MARKED
TARIFF ATTACHMENT**

EXHIBIT K-5

Interregional Transmission Coordination Between the SERTP and MISO

The Transmission Provider, through its regional transmission planning process, coordinates with the Midcontinent Independent System Operator region (“MISO”) to address transmission planning coordination issues related to interregional transmission facilities. The interregional transmission coordination procedures include a detailed description of the process for coordination between public utility transmission providers in the SERTP and MISO (i) with respect to an interregional transmission facility that is proposed to be located in both transmission planning regions and (ii) to identify possible interregional transmission facilities that could address transmission needs more efficiently or cost-effectively than transmission facilities included in the respective regional transmission plans. The interregional transmission coordination procedures are hereby provided in this Exhibit K-5 with additional materials provided on the Regional Planning website.

The Transmission Provider ensures that the following requirements are included in these interregional transmission coordination procedures:

- (1) A commitment to coordinate and share the results of the SERTP’s and MISO’s regional transmission plans to identify possible interregional transmission projects that could address transmission needs more efficiently or cost-effectively than separate regional transmission facilities, as well as a procedure for doing so;
- (2) A formal procedure to identify and jointly evaluate transmission facilities that are proposed to be located in both transmission planning regions;
- (3) A duty to exchange, at least annually, planning data and information; and

- (4) A commitment to maintain a website or e-mail list for the communication of information related to the coordinated planning process.

The Transmission Provider has worked with MISO to develop a mutually agreeable method for allocating between the two transmission planning regions the costs of new interregional transmission facilities that are located within both transmission planning regions. Such cost allocation method satisfies the six interregional cost allocation principles set forth in Order No. 1000 and are included in this Exhibit K-5.

For purposes of this Exhibit K-5, the SERTP regional transmission planning process is the process described in Attachment K of this Tariff; MISO's regional transmission planning process is the process described in section X of Attachment FF to MISO's OATT. References to the respective regional transmission planning processes in this Exhibit K-5 are intended to identify the activities described in those tariff provisions. Unless noted otherwise, Section references in this Exhibit K-5 refer to Sections within this Exhibit K-5.

1. Interregional Transmission Coordination

1.1 Annual Meeting: Representatives of the SERTP and the staff of MISO will meet no less than once per year to facilitate the interregional coordination procedures described below (as applicable). Representatives of the SERTP and MISO staff may meet more frequently during the evaluation of interregional transmission project(s) proposed for purposes of interregional cost allocation between the SERTP and MISO transmission planning regions.

1.2 Website Posting of Information on Interregional Coordination: The Transmission Provider shall utilize the Regional Planning website for communication of information related to these coordinated interregional

transmission planning procedures. The Transmission Provider shall coordinate with MISO with respect to the posting of materials to the regional planning website related to the interregional coordination procedures between the SERTP and MISO transmission planning regions. The Transmission Provider shall, at a minimum, provide the following on the Regional Planning website:

- (i) Interregional coordination and cost allocation procedures between the SERTP and MISO;
- (ii) Links to where stakeholders can register (if applicable/available) for the stakeholder committees or distribution lists of MISO;
- (iii) Documents related to joint evaluation of interregional transmission projects; and
- (iv) Status report on interregional transmission projects selected for purposes of interregional cost allocation between the SERTP and MISO.

2. Model and Data Exchange

At least annually, the Transmission Provider and MISO shall exchange their then-current regional transmission plans including power-flow models and associated data used in the regional transmission planning processes to develop such transmission plan(s). This exchange will occur when such data is available in each of the regional transmission planning processes, typically during the first calendar quarter of each year. Additional transmission-based models and data may be exchanged between the Transmission Provider and MISO as necessary and if requested. For purposes of their interregional coordination activities, the Transmission Provider and MISO will exchange only data and models used in the development of their then-current regional transmission process and plans. This data will be

posted on the pertinent regional transmission planning process' websites, consistent with the posting requirements of the respective regional transmission planning processes, and subject to the applicable treatment of confidential data and Critical Energy Infrastructure Information (CEII). The Transmission Provider shall notify MISO of such posting.

3. Identification and Joint Evaluation of Proposed Interregional Transmission Projects

3.1 Identification of Interregional Transmission Projects: At least biennially, the Transmission Provider and MISO shall meet to review the respective regional transmission plans. Such plans include each region's transmission needs as prescribed by each region's planning process. This review shall occur on a mutually agreeable timetable, taking into account each region's regional transmission planning process timeline. If through this review, the Transmission Provider and MISO identify a potential interregional transmission project that may be more efficient or cost-effective than regional transmission projects, the Transmission Provider and MISO shall jointly evaluate the potential interregional transmission project pursuant to Section 3.4~~3~~.

3.2 Identification of Interregional Transmission Projects by Stakeholders: Stakeholders and transmission developers (pursuant to Section 4.1) may also propose interregional transmission projects that may be more efficient or cost-effective than regional transmission projects pursuant to the procedures in each region's regional transmission planning processes.

3.3 Identification of Interregional Transmission Projects by Developers:
Interregional transmission projects proposed for interregional cost allocation

purposes (“Interregional CAP”) must be submitted in both the SERTP and MISO regional transmission planning processes. The project submittal must satisfy the requirements of Section 4.1 except for the benefit-to-cost ratio requirements of Section 4.1.A(ii).¹ The submittal must identify the potential transmission project as interregional in scope and identify the SERTP and MISO as regions in which the project is proposed to interconnect. The Transmission Provider will verify whether the submittal for the potential interregional transmission project satisfies all applicable requirements. Upon finding that the proposed interregional transmission project satisfies all such applicable requirements, the Transmission Provider will notify MISO. Once the potential project has been proposed through the regional transmission planning processes in both regions, and upon both regions so notifying one another that the project is eligible for consideration pursuant to their respective regional transmission planning processes, the Transmission Provider and MISO will jointly evaluate the proposed interregional projects pursuant to Sections 3 and 4.

3.4 Evaluation of Interregional Transmission Projects: The Transmission Provider and MISO shall act through their respective regional transmission planning processes in the joint evaluation of potential interregional transmission projects identified pursuant to Sections 3.1 and 3.2 to determine whether the inclusion of any potential interregional transmission projects in each region’s

¹ A transmission developer is not responsible for determining the benefit-to-cost ratio referenced in Section 4.1.A(ii) in a project submittal. However, an interregional transmission project proposed for Interregional CAP must ultimately satisfy the benefit-to-cost ratio requirements in accordance with the provisions of Sections 4.1A(ii) and 4.3.

_____ regional transmission plan would be more efficient or cost-effective than regional projects. Such analysis shall be consistent with accepted transmission planning practices of the respective regions and the methods utilized to produce each region's respective regional transmission plan(s). [The Transmission Provider will evaluate potential interregional transmission projects consistent with Section 6 and Section 11 of Attachment K.](#)

3.54 Review of Proposed Interregional Transmission Projects: Initial coordination activities regarding potential interregional transmission projects will typically begin during the third quarter of each calendar year. The Transmission Provider and MISO will exchange status updates regarding interregional transmission projects that are newly proposed or that are currently under consideration as needed. These status updates will generally include, if applicable: (i) an update of the region's evaluation of the proposal(s); (ii) the latest calculation of benefits (as identified pursuant to Section 4.2); and (iii) the anticipated timeline for future assessments.

3.65 Coordination of Assumptions Used in Joint Evaluation: The Transmission Provider and MISO will coordinate assumptions and data used in joint evaluations, as necessary, including items such as:

- (i) Expected timelines and milestones associated with the joint evaluation;
- (ii) Study assumptions;
- (iii) Models; and
- (iv) Benefit calculations (as identified pursuant to Section 4.2).

- 4. Interregional Cost Allocation:** If an interregional transmission project is proposed for ~~interregional cost allocation purposes (“Interregional CAP”)~~ in the SERTP and MISO transmission planning regions, then the following cost allocation and benefits calculations, as identified pursuant to Section 4.2, shall apply to the project:

4.1 Interregional Transmission Projects Proposed for Interregional Cost Allocation Purposes:

- A. For a transmission project to be eligible for Interregional CAP within the SERTP and MISO, the project must:
- (i) Interconnect to ~~the~~ transmission facilities ~~of one or more~~ in both the SERTP Sponsors and the transmission facilities of one or more transmission owners in MISO regions. The facilities to which the project is proposed to interconnect may be either existing facilities or transmission projects included in the regional transmission plan that are currently under development;
 - (ii) Have a combined benefit-to-cost ratio of 1.25 or higher to the SERTP and MISO regions, as calculated in Section 4.3; and
 - (iii) Meet the threshold and qualification criteria for transmission projects potentially eligible to be included in the respective regional transmission plans for purposes of cost allocation in MISO, ~~as a market efficiency project,~~ and the SERTP, pursuant to their respective regional transmission planning processes.
- B. On a case-by-case basis, the Transmission Provider and MISO may consider an interregional transmission project that does not satisfy all of

the criteria specified in this Section 4.1 but that: (i) meets the threshold criteria for a project proposed to be included in the regional transmission plan for purposes of cost allocation in only one of the two regions; and (ii) would be interconnected to ~~the~~ transmission facilities in both the~~of one or more~~ SERTP ~~Sponsors~~ and ~~the transmission facilities of one or more transmission owners in the~~ MISO ~~transmission planning~~ regions. The facilities to which the project is proposed to interconnect may be either existing facilities or transmission projects included in the regional transmission plan that are currently under development.

- C. The transmission project must be proposed for purposes of cost allocation in both the SERTP and MISO. The project submittal must satisfy all criteria specified in the respective regional transmission processes, including the respective timeframes for submittals proposed for cost allocation purposes. If a project is proposed by a transmission developer, the transmission developer must also satisfy the qualification criteria specified by each region.

4.2 Calculation of Benefits for Interregional Transmission Projects Proposed for

Interregional Cost Allocation Purposes: The benefits used to establish the allocation of costs of a transmission project proposed for Interregional CAP between the SERTP and MISO shall be determined as follows:

- A. Each transmission planning region, acting through its regional transmission planning process, will evaluate proposals to determine whether the proposed project(s) addresses transmission needs that are

currently being addressed with projects in its regional transmission plan and, if so, which projects in the regional transmission plan could be displaced by the proposed project(s).

B. Based upon its evaluation, each region will quantify its benefits based upon the transmission costs that each region is projected to avoid due to its transmission projects being displaced by the proposed interregional transmission project as follows:

(i) for the SERTP, the total avoided costs of projects included in the then-current regional transmission plan that would be displaced if the proposed interregional transmission project was included; and

(ii) for MISO, the total avoided costs of ~~market efficiency~~ projects identified, but not approved, in the then-current regional transmission plan that would be displaced if the proposed interregional transmission project was included.

The benefits calculated pursuant to this Section 4.2 are not necessarily the same as the benefits used for purposes of *regional* cost allocation.

4.3. Calculation of Benefit-to-Cost Ratio for an Interregional Transmission Project Proposed for Interregional CAP: Prior to any regional benefit-to-cost ratio calculation pursuant to either regional transmission planning process, the combined interregional benefit-to-cost ratio, referenced in Section 4.1.A, shall be calculated for an interregional transmission project proposed for Interregional CAP. Such calculation shall be performed by dividing the sum of the present value of the avoided project cost determined in accordance with Section 4.2.B.i

for the SERTP region and the present value of avoided project cost determined in accordance with Section 4.2.B.ii for the MISO region by the present value of the proposed interregional transmission project's total project cost. The present values used in the cost calculation shall be based on a common date, comparable cost components, and the latest cost estimates used in the evaluation of the interregional transmission project. The combined interregional benefit-to-cost ratio will be assessed in addition to, not in the place of, the SERTP's and MISO's respective regional benefit-to-cost ratio assessment(s) (if applicable) as specified in the respective regional processes.

4.4 Inclusion in Regional Transmission Plans: An interregional transmission project proposed for Interregional CAP in the transmission planning regions of the SERTP and MISO will be included in the respective regional transmission plans for purposes of cost allocation after:

- A. Each region has performed all evaluations, as prescribed in its regional transmission planning process, necessary for a project to be included in its regional transmission plan for purposes of cost allocation including any regional benefit-to-cost ratio calculations. Each region shall utilize the benefit calculation(s) as defined in such region's regional transmission planning process (for purposes of clarity, these benefits are not necessarily the same as the benefits determined pursuant to Section 4.2). Each region shall utilize the cost calculation(s) as defined in such region's regional transmission planning process. The anticipated percentage allocation of costs of the interregional transmission project to each region shall be

based upon the ratio of the region's benefits to the sum of the benefits, both as determined pursuant to Section 4.2, identified for both the SERTP and MISO.

- B. Each region has obtained all approvals, as prescribed in its regional process, necessary for a project to be included in the regional transmission plan for purposes of regional cost allocation.

4.5 Allocation of Costs Between the SERTP and MISO Regions: The cost of an interregional transmission project, selected for purposes of cost allocation in the regional transmission plans of both the SERTP and MISO, will be allocated as follows:

- A. Each region will be allocated a portion of the interregional transmission project's costs in proportion to such region's benefit as calculated pursuant to Section 4.2 to the sum of the benefits identified for both the SERTP and MISO calculated pursuant to Section 4.2.
 - o The benefits used for this determination shall be based upon the benefit calculation most recently performed – pursuant to the method described in Section 4.2 – before each region included the project in its regional transmission plan for purposes of cost allocation and as approved by each region.
- B. Costs allocated to each region shall be further allocated within each region pursuant to the cost allocation methodology contained in its regional transmission planning process.

4.6 Milestones of Required Steps Necessary to Maintain Status as Being Selected

for Interregional Cost Allocation Purposes: Once selected in the respective regional transmission plans for purposes of cost allocation, the SERTP Sponsors that will be allocated costs of the transmission project, MISO, and the transmission developer(s) must mutually agree upon an acceptable development schedule including milestones by which the necessary steps to develop and construct the interregional transmission project must occur. These milestones may include (to the extent not already accomplished) obtaining all necessary rights of way and requisite environmental, state, and other governmental approvals and executing a mutually-agreed upon contract(s) between the applicable SERTP Sponsors, MISO and the transmission developer. If such critical steps are not met by the specified milestones and then afterwards maintained, then the Transmission Provider and MISO may remove the transmission project from the selected category in the regional transmission plans for purposes of cost allocation.

4.7 Interregional Transmission Project Contractual Arrangements:

The contracts referenced in Section 4.6 will address terms and conditions associated with the development of the proposed interregional transmission project included in the regional transmission plans for purposes of cost allocation, including but not limited to:

- (i) Engineering, procurement, construction, maintenance, and operation of the proposed transmission project, including coordination responsibilities of the parties;

- (ii) Emergency restoration and repair;
- (iii) The specific financial terms and specific total amounts to be charged by the transmission developer of the transmission project to each beneficiary, as agreed to by the parties;
- (iv) Creditworthiness and project security requirements;
- (v) Milestone reporting, including schedule of projected expenditures;
- (vi) Reevaluation of the transmission project; and
- (vii) Non-performance or abandonment.

4.8 Removal from Regional Transmission Plans: An interregional transmission project may be removed from the Transmission Provider's or MISO's regional transmission plan(s) for Interregional CAP: (i) if the transmission developer fails to meet developmental milestones; (ii) pursuant to the reevaluation procedures specified in the respective regional transmission planning processes; or (iii) if the project is removed from one of the region's regional transmission plans pursuant to the requirements of its regional transmission planning process.

A. The Transmission Provider shall notify MISO if an interregional transmission project or a portion thereof is likely to be, and/or is actually removed from its regional transmission plan.

5. Transparency

5.1 Stakeholders will have an opportunity to provide input and feedback within the respective regional transmission planning processes of the SERTP and MISO related to interregional transmission projects identified, analysis performed, and any determination/results. Stakeholders may participate in either or both regions'

regional transmission planning processes to provide their input and feedback regarding the interregional coordination between the SERTP and MISO.

5.2 At the fourth quarter SERTP Summit, or as necessary due to current activity of proposed interregional transmission projects, the Transmission Provider will provide status updates of interregional activities including:

- (i) Facilities to be evaluated;
- (ii) Analysis performed; and
- (iii) Determinations/results.

5.3 The Transmission Provider will post a list on the Regional Planning Website of interregional transmission projects proposed for purposes of cost allocation in both the SERTP and MISO regions that are not eligible for consideration because they do not satisfy the regional project threshold criteria of one or both of the regions as well as post an explanation of the thresholds the proposed interregional projects failed to satisfy.