

Rebuttal Testimony and Schedules

Douglas C. Collins

**STATE OF MINNESOTA
BEFORE THE
MINNESOTA PUBLIC UTILITIES COMMISSION**

In the Matter of the Application of
ITC Midwest LLC for a Certificate of
Need for the Minnesota-Iowa 345 kV
Transmission Line Project in Jackson,
Martin, and Faribault Counties

PUC Docket No. ET-6675/CN-12-1053
OAH Docket No. 60-2500-30782

In the Matter of the Application of
ITC Midwest for a Route Permit for
the Minnesota-Iowa 345 kV
Transmission Project and Associated
Facilities in Jackson, Martin, and
Faribault Counties

PUC Docket No. ET-6675/TL-12-1337
OAH Docket No. 60-2500-30782

REBUTTAL TESTIMONY OF

DOUGLAS C. COLLINS

On Behalf of

ITC MIDWEST LLC

April 25, 2014

Exhibit _____

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1 I. INTRODUCTION AND QUALIFICATIONS

2
3 Q. PLEASE STATE YOUR NAME AND EMPLOYMENT ADDRESS.

4 A. My name is Douglas C. Collins, and my business address is 6750
5 Chavanelle Road, Dubuque, Iowa 52002.

6
7 Q. BY WHOM ARE YOU EMPLOYED AND WHAT IS YOUR POSITION?

8 A. I am employed by ITC Holdings Corp. (“ITC Holdings”) as President of
9 ITC Midwest LLC (“ITC Midwest” or “Company”), a wholly-owned
10 subsidiary of ITC Holdings. I also hold the position of Vice President with
11 ITC Holdings. As President of ITC Midwest, I am ultimately responsible
12 for ensuring ITC Midwest meets the expectations of our utility customers
13 and regulators. I, therefore, spend a great deal of time interacting with ITC
14 Midwest’s customers and its project management, design, regulatory, real
15 estate, and legal staff. I also meet with our state regulators and state
16 government officials in coordination with our regulatory staff.

17
18 Q. SUMMARIZE YOUR QUALIFICATIONS AND EXPERIENCE.

19 A. I have been working in the utility industry since obtaining a Bachelor of
20 Science degree in Electrical Engineering from Iowa State University in
21 1983. I started with Interstate Power Company in 1983 as a Planning
22 Engineer and was named Director of System Planning in 1993. I became
23 General Manager of Transmission Services for Alliant Energy Corp. when
24 it was formed through the merger of three utility holding companies in
25 1998. I then became ITC Midwest’s Executive Director in 2007 after the sale

1 of Alliant Energy's Interstate Power & Light ("IP&L") transmission assets
2 to ITC Midwest, and was appointed as ITC Midwest's President in 2012.

3
4 I am a past Chairman of the Mid-Continent Area Power Pool ("MAPP")
5 Regional Transmission Committee, past Chair of the Midcontinent
6 Independent System Operator, Inc. ("MISO") Transmission Owners
7 Committee, past Vice-Chair for the MISO Advisory Committee, and past
8 Vice-Chair of the Mid-American Interconnected Network Planning
9 Committee. My resume is attached as **Schedule 1**.

10
11 **Q. DID YOU PROVIDE DIRECT TESTIMONY IN THIS PROCEEDING?**

12 A. No.

13
14 **Q. HAVE YOU REVIEWED THE TESTIMONY SUBMITTED BY THE DEPARTMENT OF
15 COMMERCE, DIVISION OF ENERGY RESOURCES ("DOC-DER") WITNESSES?**

16 A. Yes. I have reviewed the direct testimony filed by Adam Heinen, Mark
17 Johnson and Dr. Steve Rakow.

18
19 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

20 A. I testify in response to the DOC-DER's recommendation that ITC Midwest
21 be forced to accept a cost cap as a condition of receiving a Certificate of
22 Need for the Minnesota - Iowa 345 kV Transmission Project ("Project"). I
23 believe this recommendation is unprecedented and should not be
24 accepted. My testimony, based on 30 years of transmission planning and

1 industry experience, demonstrates why the proposed Minnesota - Iowa
2 345 kV Transmission Project ("Project") is the most reasonable and prudent
3 alternative on the record and should be constructed to serve the immediate
4 and long-term needs in southwest Minnesota and the region. Further, a
5 cost cap would be inconsistent with how utilities develop cost estimates at
6 this stage of a project's development. At the Certificate of Need stage, the
7 final route has not yet been selected, and we have not undertaken micro-
8 siting or detailed design engineering. Thus, it is not possible to support the
9 Certificate of Need application with firm or budget-quality estimates.

10
11 **Q. WHAT SCHEDULES ARE ATTACHED TO YOUR TESTIMONY?**

12 A. Schedule 1: Resume.

13 Schedule 2: MISO Tariff Attachment O (November 19, 2013) (excerpts).

14
15 **II. SUMMARY OF POSITIONS REGARDING DOC-DER'S PROPOSED**
16 **RECOMMENDATIONS AND COST CAP CONDITION**

17
18 **Q. DESCRIBE THE CONDITIONS SUGGESTED BY THE DOC-DER UPON WHICH**
19 **YOU WANT TO PROVIDE REBUTTAL TESTIMONY.**

20 A. Mr. Johnson and Dr. Rakow both testify to the effect that ITC Midwest
21 should accept limitations in its right to recover legitimate costs under our
22 Federal Energy Regulatory Commission ("FERC")-jurisdictional open
23 access transmission tariff as a condition of obtaining Minnesota Public

1 Utilities Commission (“Commission”) approval of the proposed 345 kV
2 facility that is needed to serve Minnesota, Iowa, and the region.

3
4 Mr. Johnson's recommendation is that ITC Midwest be required to
5 “justify” any costs exceeding \$283 million,¹ which is the cost estimate for
6 one of the routes under consideration in Minnesota and includes the Iowa
7 portion of the Project, “prior to charging Minnesota utilities for those
8 costs”, p. 14. Mr. Johnson concludes, in relevant part:

9
10 If the Commission finds that ITCM's proposed Project
11 meets the CN criteria based on ITCM's estimated costs,
12 DOC recommends that the Commission condition
13 approval on ITCM's agreement to cap its costs for
14 recovery purposes under MISO at the \$283 million
15 high-end estimate provided in this proceeding, without
16 the additional 30 percent . . . If ITCM refuses to agree to
17 cap its costs, the Commission should find that the ITCM
18 has not demonstrated the reasonableness of its costs
19 and, thus, should not approve the proposed MVP
20 project; instead, the Commission should approve the
21 161 kV rebuild alternative as discussed in detail by Dr.
22 Rakow.

¹ Note that Mr. Johnson uses the estimate from the Certificate of Need Application and does not include the \$2 million identified in ITC Midwest's direct testimony for reactors at the Huntley Substation.

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Johnson direct testimony, p. 21.

Dr. Rakow states, in relevant part:

. . . if ITCM fails to adequately explain why the Lakefield Junction - Rutland 345 kV alternative cannot be expected to meet the claimed needs or if ITCM does not agree with Mr. Johnson's cost control process I recommend that the Commission reject the Petition and direct ITCM to pursue the 161 kV Rebuild alternative.

Rakow direct testimony, p. 45.

Q. WHAT WOULD BE THE EFFECT OF THIS CONDITION IF IT WAS IMPOSED?

A. It could have several adverse and unintended impacts, including: (i) hampering efforts to develop robust competition in the transmission construction market, (ii) creating conflicts between State and Federal authority over the regulation of wholesale transmission rates, and (iii) creating the risk that legitimately-incurred costs in furtherance of an interstate project become trapped or stranded due to an individual state's policy preferences.

1 **Q. IN YOUR OPINION, IS THE LIMITATION ON COST RECOVERY FACTUALLY**
2 **SUPPORTED BY THE RECORD DEVELOPED IN THIS PROCEEDING?**

3 A. No. The record in this case supports the need for the development of a
4 robust interstate network of 345 kV transmission lines to ensure reliability,
5 enhance market efficiency, and facilitate and encourage the development
6 of additional renewable energy generation, including additional wind
7 generation from the wind-rich areas of western Minnesota and the
8 Dakotas. The record further supports the Project as needed as part of that
9 robust interstate network.

10
11 **III. REGIONAL BENEFITS OF THE PROJECT**
12

13 **Q. SUMMARIZE THE PROCESS BY WHICH THIS PROJECT WAS CHOSEN.**

14 A. Multi-Value Project ("MVP") 3 was part of the initial MVP Portfolio
15 approved in MISO's region-wide planning process in MTEP11. MTEP11
16 was developed as part of MISO's top-down, bottom-up planning approach
17 described in Attachment FF of the MISO Tariff. Through this process,
18 which takes 15 to 18 months, MISO takes the local planning projects of
19 each of its Transmission Owning members, including ITC Midwest, to
20 provide the "bottom-up" portion of its planning process. MISO then
21 considers regional needs and determines the most efficient way to
22 incorporate both the local and regional projects into its transmission plan.
23 This constitutes the "top down" portion of its planning process.

24

1 Through this methodology, the MTEP identifies transmission expansions
2 that are needed to (i) support competition and efficiency in bulk power
3 markets, (ii) comply with applicable laws and regulations (including state
4 renewable energy standards), and (iii) maintain reliability throughout the
5 MISO footprint. To that end, when the MTEP is approved, by operation of
6 the MISO Tariff, those projects are also certified as the transmission
7 additions necessary to meet the transmission needs of every entity in the
8 entire MISO region. In some cases, such as for MVP projects, this means
9 that the cost of the project is shared among all MISO network customers
10 located across the systems of various MISO transmission-owning utilities
11 who benefit from the Project.

12
13 The MVP Portfolio is a key component of the MISO transmission
14 expansion plan. These 17 projects are intended to provide long-term,
15 regional solutions for addressing reliability issues, meeting state renewable
16 energy policies, and ensuring the efficient operation of the wholesale
17 energy markets. The long-term nature of the transmission needs intended
18 to be met by the MVP Portfolio is an important factor in the planning
19 process and ensures that the most efficient transmission portfolio is placed
20 in-service. In fact, MISO is required by its Tariff to consider the economic
21 benefits of accelerating long-term projects in lieu of building nearer term,
22 smaller projects when developing the MVP Portfolio.

1 Additionally, the unique cost allocation methodology applicable to MVPs
2 requires that they meet regional needs. To accomplish this goal, the MISO
3 Tariff requires that the MVPs be selected under a portfolio approach.
4 Through this approach, MVPs must be identified and incorporated into the
5 MTEP as a portfolio of projects. This ensures that the costs and benefits of
6 the MVP Portfolio can be appropriately distributed across the MISO
7 footprint, consistent with legal requirements for matching costs and
8 benefits. Consequently, the MVP Portfolio is an integrated whole.
9 Deviating from the MTEP for one MVP can impact the careful balance of
10 benefits that MISO has determined are necessary to allocate the costs of the
11 MVP Portfolio across the MISO footprint.

12
13 **Q. WHAT IS THE ALLOCATED SHARE OF THE MVP PROJECTS ON THE ITC**
14 **MIDWEST SYSTEM AND ACROSS ALL OF MINNESOTA?**

15 A. The ITC Midwest pricing zone is allocated less than a 4 percent share of
16 the MVP Portfolio, and only about 14 percent of ITC Midwest’s network
17 load is in Minnesota. Network Customers of other Minnesota transmission
18 owning utilities will also pay an additional 12.77 percent of Project costs.
19 In other words, the wind-rich region of southwestern Minnesota will
20 receive a substantial portion of the benefits of MVP Project 3 and all of the
21 long-term system growth that it will support but is only being required to
22 pay a small percentage of the cost.

1 **Q. IN EVALUATING THE NEED FOR THE PROJECT, MUST THE COMMISSION**
2 **CONSIDER NEEDS IN IOWA?**

3 A. Yes. The Project and the other components of MVP Project 3 are part of a
4 single project located in Minnesota and Iowa. While each of the segments
5 of MVP Project 3 addresses specific needs, such as the Fox Lake – Rutland
6 161 kV constraint in Minnesota, together the segments alleviate constraints
7 in both states to enable the reliable transmission of existing and significant
8 additional generation.

9

10 **Q. ARE YOU AWARE OF OTHER INTERSTATE TRANSMISSION PROJECTS WHERE**
11 **THE COMMISSION HAS EVALUATED THE NEED FOR A PROJECT IN MULTIPLE**
12 **STATES?**

13 A. Yes, the Commission has appropriately considered the regional nature of
14 the transmission system and the multiple state needs satisfied by bulk 345
15 kV transmission projects in the CapX2020 docket, Docket No. ET-2, E-002,
16 et. al./CN-06-1115. In approving construction of these projects and
17 granting a Certificate of Need in May 2009, the Commission evaluated
18 transmission needs in North Dakota, South Dakota, Minnesota, and
19 Wisconsin.

20

21 **Q. IS IT ALSO IMPORTANT TO LOOK AT LONG-TERM NEEDS OF MINNESOTA AND**
22 **THE REGION?**

23 A. Yes. The CapX2020 proceeding is a good example of how the Commission
24 views long-term bulk transmission needs. The Commission has rightly

1 viewed high voltage transmission infrastructure projects as long-term
2 investments lasting many decades. Such investment should not only serve
3 immediate needs, but provide capacity to address future needs as well. In
4 the CapX2020 docket, the Commission not only approved a Certificate of
5 Need for the three proposed 345 kV projects, but ordered that they be
6 “upsized”, *i.e.* built capable of carrying a second 345 kV circuit in the
7 future. The Commission recognized the benefits of leveraging the
8 significant investments.

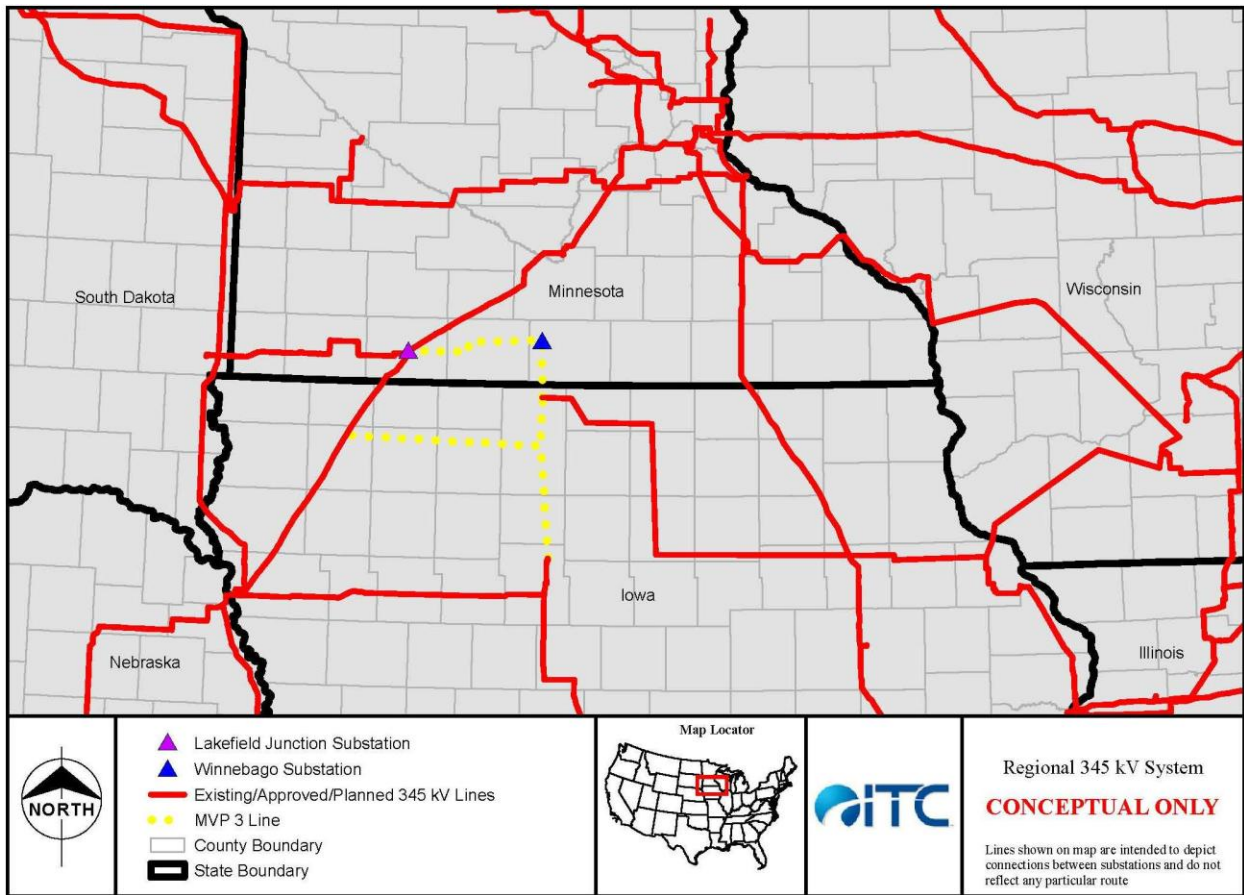
9
10 Similar to the docket in CapX2020, the Commission should consider future
11 long-term system needs and approve the Project because it is part of a
12 robust and flexible 345 kV overlay that will reliably serve Minnesota and
13 neighboring states.

14
15 **Q. YOU MENTIONED THE 345 KV BULK TRANSMISSION SYSTEM BUILD OUT.
16 HOW IMPORTANT IS MVP PROJECT 3 TO THIS BUILD OUT?**

17 **A.** It is critically important. The 345 kV regional backbone system serves the
18 needs of Minnesota and the region. The CapX2020 345 kV projects are
19 significant additions to the underlying network. The MVP Portfolio,
20 including MVP Project 3, will add additional connections to create a robust
21 transmission system to efficiently and reliably meet the region’s needs now
22 and in the future. If MVP Project 3 is not approved by Minnesota, there
23 would be a significant gap in the 345 kV regional system, as shown in
24 Figure 1 below:

1
2

Figure 1: Regional 345 kV System



3
4

5 **Q. DOES THE RECORD SUPPORT CONSTRUCTING THE PROPOSED PROJECT AS**
6 **PART OF THE OVERALL GOAL TO INCREASE ACCESS TO RENEWABLE ENERGY**
7 **RESOURCES?**

8 **A.** Yes. The ITC Midwest LLC Multi-Value Project #3 Planning Study (“MVP
9 Project 3 Planning Study”) included at Appendix J of the Certificate of
10 Need Application, MTEP11, and the direct testimony of MISO Senior
11 Manager of Resource Planning and electrical engineer Digaunto Chatterjee

1 demonstrate that MVP Project 3 provides the most transfer capability to
2 support the development of new generation in southwest Minnesota. This
3 new capacity will enable existing generation to deliver their full output
4 and provide capacity for significant additions of new generation. Dr.
5 Rakow also agrees that MVP Project 3 provides the most transfer capacity
6 under multiple generation development scenarios. (Rakow direct
7 testimony, p. 42.)
8

9 IV. IMPACT OF PURSUING THE 161 KV REBUILD

10
11 **Q. DR. RAKOW RECOMMENDS IN HIS DIRECT TESTIMONY THAT THE**
12 **COMMISSION “DIRECT ITCM TO PURSUE THE 161 KV REBUILD**
13 **ALTERNATIVE” IF ITC MIDWEST DOES NOT ACCEPT A COST CAP, P. 45. IS ITC**
14 **MIDWEST SEEKING APPROVAL TO BUILD THE 161 KV REBUILD ALTERNATIVE**
15 **SHOULD THE COMMISSION DENY A CERTIFICATE OF NEED FOR THE 345 KV**
16 **PROJECT AS PROPOSED?**

17 **A.** No, ITC Midwest is solely seeking approval or denial of a Certificate of
18 Need for the Project to fulfill its contractual obligations under the
19 Transmission Owners’ Agreement (“TOA”) to implement the Project,
20 comprised of the portions of MVP Project 3 between the Lakefield Junction
21 to Huntley substations in Jackson Martin, and Faribault counties in
22 Minnesota and down to the Ledyard and Kossuth County substations in
23 Kossuth County in Iowa. Pursuing the 161 kV Rebuild Alternative as Dr.

1 Rakow recommends would be inconsistent with these obligations. Further,
2 the 161 kV Rebuild Alternative is not an approved MISO project.

3
4 **Q. IF THE COMMISSION WERE TO DENY THE CERTIFICATE OF NEED FOR THE**
5 **PROJECT, WOULD ITC MIDWEST NEED TO GO BACK TO MISO FOR FURTHER**
6 **STUDIES?**

7 A. Yes. MVP Project 3 which extends further into Iowa beyond the Kossuth
8 County Substation, was developed through the extensive MISO MTEP
9 process and approved as a MVP by the MISO Board of Directors on
10 December 8, 2011. Should the Commission not grant a Certificate of Need,
11 MISO's regional planning process would have to be restarted to ensure
12 that all stakeholders have the opportunity to evaluate alternatives and
13 optimize options to address the identified local and regional needs and
14 benefits that would have been addressed by MVP Project 3. It is unknown
15 what alternative MISO may select or whether ITC Midwest would be the
16 designated owner and builder.

17
18 **Q. WOULD THE DENIAL OF THE CERTIFICATE OF NEED FOR THE PROJECT HAVE**
19 **OTHER IMPACTS ON MISO PLANNING PROCESSES?**

20 A. Yes. MISO develops system planning models that are used to evaluate
21 system needs in the future and to assess upgrades and additions needed to
22 interconnect new generation and load to the electric grid. In current MRO
23 models of the system for the year 2017, MVP Project 3 is assumed to be in-
24 service. As a result, any engineering analyses relying on the MRO 2017

1 models and those of later years would have to be redone and new analyses
2 would have to be completed to determine transmission system needs. The
3 change in system topology, *i.e.*, removing MVP Project 3, would also affect
4 the following MISO planning functions detailed in MISO Attachment FF:

- 5 • Generator interconnection planning;
- 6 • Transmission service planning;
- 7 • Cyclical regional expansion planning activities;
- 8 • Interregional coordination with neighboring transmission
9 planning regions;
- 10 • System support resource studies for unit decommissioning;
- 11 • Transmission-to-transmission interconnections;
- 12 • Load interconnections; and
- 13 • Focus studies, *e.g.*, North American Electric Reliability
14 Corporation/ FERC directives or near term critical operational
15 issues.

16
17 **Q. WOULD THE 161 KV REBUILD ALTERNATIVE OPTION SERVE THE LONG-TERM**
18 **NEEDS OF SOUTHWEST MINNESOTA?**

19 A. No. During my career, I have observed the tremendous growth in the
20 development of wind generation in the Buffalo Ridge area in Minnesota
21 and northwestern Iowa. Given existing renewable energy standard
22 (“RES”) requirements, the anticipated retirement of coal generation
23 through the MISO footprint, and the number of megawatts in the MISO
24 interconnection queue in this area, there is no reason to believe this trend

1 will not continue and that further outlet capability will be needed. MVP
2 Project 3 is an important part of a bulk transmission system overlay, the
3 electricity freeway, if you will, for the delivery of large amounts of power
4 from the Buffalo Ridge area to points east in and outside of Minnesota. In
5 my opinion, building the 161 kV Rebuild Alternative would not only fail to
6 address immediate needs, it would be shortsighted given the likely future
7 of additional generation growth in southwest Minnesota and surrounding
8 states.

9
10 **Q. SHOULD THE COMMISSION CHOOSE THE 161 kV REBUILD ALTERNATIVE IN**
11 **THIS INSTANCE BASED ON THE RECORD IN THIS CASE?**

12 **A.** No. As I noted above, the 161 kV Rebuild Alternative is not an approved
13 project in the MISO MTEP and MISO would need to perform additional
14 studies to determine how to satisfy the needs addressed by the Project.
15 Also, as detailed in Joe Berry's direct and rebuttal testimony, the Project is
16 demonstrably superior to the 161 kV Rebuild Alternative. The Project
17 provides more transfer capability under multiple future scenarios, relieves
18 more constraints in Minnesota and Iowa (37 vs. 2), and adds a new 345 kV
19 connection between Minnesota and Iowa to further build out the regional
20 345 kV bulk transmission system.

21
22 Further, as ITC Midwest witness, Analysis Group economist Dr. Todd
23 Schatzki, testified in his direct and rebuttal testimony, MVP Project 3 and
24 Project 4 create pathways to help power flow from western Minnesota and

1 Iowa, connecting to major 345 kV hubs in eastern Iowa and provide
2 reliability and congestion relief benefits. Dr. Schatzki also finds that, using
3 the test relied on by Dr. Rakow, that the benefits achieved by MVP Project
4 3 alone and in conjunction with MVP Project 4 are anticipated to provide
5 net benefits greater than the net benefits the 161 kV Rebuild Alternative
6 can be expected to provide.

7
8 **V. ITC MIDWEST'S OPPOSITION TO THE PROPOSED COST CAP**

9
10 **Q. THE DOC-DER'S TESTIMONY REQUESTS THAT THE COMMISSION IMPOSE A**
11 **COST CAP TO ENSURE THAT THE PROJECT DOES NOT COST MORE THAN THE**
12 **\$283 MILLION ESTIMATE INCLUDED IN THIS FILING FOR ROUTE A FOR THE**
13 **MINNESOTA AND IOWA SEGMENTS. IS SUCH A CAP JUST AND REASONABLE?**

14 **A.** No. First, the estimate included at the Certificate of Need stage that the
15 DOC-DER uses is based on ITC Midwest's proposed Route A, one of
16 multiple routes under consideration in Minnesota as well as the segments
17 in Iowa. It is necessarily general and high level and cannot be of the
18 detailed level necessary to consider them budgets for a project. As
19 discussed in Company witness Amy Ashbacker's rebuttal testimony, at
20 the Certificate of Need stage, we provide a +/- 30 percent bandwidth on
21 our cost estimates because there are numerous unknown cost variables
22 that prevent precisely identifying final costs for the Project. Thus, the \$283
23 million cost estimate modeled for comparison of options in the Certificate
24 of Need cannot be viewed as a budget-quality number and it would not be

1 just and reasonable to use that number as a cap or proxy for actual final
2 cost. Additionally, certain additional costs have been identified after the
3 applications were submitted. One example is the \$2 million for reactors at
4 the Huntley Substation discussed in Ms. Ashbacker' s direct testimony.
5 Other costs may be identified as design progresses after necessary
6 approvals are received.

7
8 Second, as an independent transmission company, ITC Midwest's rates are
9 regulated exclusively by the FERC. Under this system, Congress requires
10 application of the FERC tariffs and remedies through a FERC (rather than
11 state) process to ensure fairness and consistent implementation of rates
12 among all ITC Midwest customers.

13
14 **Q. THE DOC-DER'S PREMISE APPEARS TO BE THAT MORE PRECISE COSTS AT**
15 **THIS STAGE IN PROJECT DEVELOPMENT WOULD LEAD TO LOWER COSTS FOR**
16 **THE PROJECT. DO YOU AGREE?**

17 A. No. Being precise in estimates does not mean that a project's costs will be
18 minimized. In fact, making estimates more precise can lead to higher costs
19 and inefficient use of resources. For example, Mr. Johnson criticizes ITC
20 Midwest because it did not complete soil borings prior to filing the
21 Certificate of Need. As Ms. Ashbacker testifies in her rebuttal testimony,
22 soil borings are time consuming, expensive, and add little value until a
23 final route and pole locations are known.

24

1 **Q. DOES ITC MIDWEST HAVE INCENTIVES TO MAINTAIN BUDGET DISCIPLINE**
2 **WHEN CONSTRUCTING PROJECTS?**

3 A. Yes. ITC Midwest’s singular focus is electric transmission and our
4 continued growth is dependent on delivering cost effective, reliable grid
5 expansion, and grid operations. As ITC Midwest witness David Grover
6 testifies, the transmission business is expected to become more competitive
7 in the post FERC Order 1000 environment and there will be increasing
8 pressure on ITC Midwest and other transmission builders to demonstrate
9 that its costs are competitive and well-managed. Given that transmission is
10 ITC Midwest’s only business, it is critical that we demonstrate that we can
11 efficiently own, operate, and expand the transmission grid. Efficiently
12 constructing the MVPs for which we are responsible provides an
13 important opportunity to demonstrate that ability.

14
15 **Q. DOES THE COMMISSION’S RATE REGULATION AUTHORITY EXTEND TO A**
16 **TRANSMISSION COMPANY SUCH AS ITC MIDWEST?**

17 A. No. The Commission does not have wholesale transmission rate authority
18 and thus, as Mr. Johnson acknowledged, the Commission does not have
19 rate authority over ITC Midwest. (Johnson direct testimony, p. 13.)
20 Similarly, the Commission does not regulate the rates and charges of other
21 utilities in this State who are not investor-owned public utilities. These
22 include municipal utilities and cooperative utilities, unless those utilities
23 avail themselves to the Commission’s ratemaking authority.

24

1 **Q. HOW ARE ITC MIDWEST'S WHOLESALE TRANSMISSION RATES SET?**

2 A. FERC has exclusive authority under the Federal Power Act to regulate the
3 rates and terms of ITC Midwest's wholesale transmission service. ITC
4 Midwest's rates are set forth in MISO's FERC-approved tariffs.

5
6 **Q. IS ITC MIDWEST WILLING TO VOLUNTARILY WAIVE OPERATION OF THE
7 FERC TARIFFS TO ALLOW FOR THE IMPOSITION OF A COST CAP?**

8 A. No.

9
10 **Q. IS THE COST CAP PROPOSED BY THE DOC-DER REQUIRED BY STATUTE OR
11 LAW?**

12 A. No. The Certificate of Need statute and related laws provide a number of
13 factors and criteria that govern whether the certificate is to be granted. The
14 evidence we have submitted in this record demonstrates that ITC Midwest
15 has satisfied all of those requirements. As a result, the Certificate of Need
16 should be issued without DOC-DER's proposed cost cap condition.

17
18 **Q. IS ITC MIDWEST ABLE TO AGREE TO THE COST CAP PROPOSED BY THE DOC-
19 DER?**

20 A. No. ITC Midwest cannot agree to any condition that risks trapping or
21 stranding costs. Further, we do not believe that it would be appropriate or
22 consistent with the FERC tariffs for the Commission to impose any
23 outcome that denies us the right to include our costs in our FERC-

1 approved rate structure or to shift those costs from Minnesota to our other
2 customers.

3
4 **Q. WOULD THE IMPOSITION OF A COST CAP HAVE ANY OTHER CONSEQUENCES?**

5 A. Unfortunately, yes. Such an action would likely be viewed by the
6 transmission marketplace as unduly protectionist and a deterrent to robust
7 competition. This is particularly problematic at this time in light of the
8 emerging new market for transmission construction that is being
9 developed under FERC's Order 1000 process.

10
11 **Q. DOES A STATE HAVE A REMEDY IN THE SITUATION WHERE A TRANSMISSION-
12 ONLY UTILITY INCURS COSTS THAT THE STATE BELIEVES ARE UNREASONABLE
13 OR IN EXCESS OF WHAT SHOULD HAVE BEEN INCURRED?**

14 A. Yes. States and state commissions have the absolute right to bring their
15 concerns to FERC's attention and appear before FERC on any matter. In
16 Minnesota, that right is captured in Minnesota Statutes Section 216B.09,
17 subdivision 4. Under this authority, the Commission and other interested
18 State actors can participate in the development and approval of FERC
19 tariffs. They also can file complaints against utilities if they believe that
20 costs have been incurred that are not reasonable under the circumstances.

21

1 Q. WILL THE MINNESOTA COMMISSION HAVE THE INFORMATION IT NEEDS TO
2 MONITOR ITC MIDWEST'S TARIFF COMPLIANCE AND TO MAKE A DECISION
3 ABOUT WHETHER TO BRING CONCERNS TO FERC'S ATTENTION?

4 A. Yes. And with the commitments outlined below, I am confident the
5 Commission will have ample information to protect Minnesota ratepayer
6 interests.

7
8 Q. PLEASE EXPLAIN.

9 A. MISO approves transmission projects through the MTEP. We are subject to
10 MISO's FERC-approved Tariff requirements and FERC oversight to ensure
11 that the required projects are implemented prudently. Application of the
12 Tariff provides for the mechanism to allocate and collect costs incurred in
13 furtherance of a project. FERC decides whether that allocation is
14 appropriate based on application of cost causation principles.

15
16 ITC Midwest will recover its costs for the proposed project through MISO
17 Schedule 26A charges. These charges are based upon the MVP Usage Rate
18 ("MUR") as calculated pursuant to Attachment MM of the MISO Tariff. A
19 key component of the MUR is the MVP revenue requirement of each MVP
20 owning Transmission-Owning Member of MISO. The MVP revenue
21 requirement is calculated pursuant to a formula provided for in
22 Attachment MM of the MISO Tariff. To ensure public review of the
23 calculation of each MVP owner's calculation of its revenue requirement,

1 Section 2(g) of Attachment MM requires public posting to the MISO OASIS
2 of its revenue requirement calculation.

3
4 Further, the determination of the MVP revenue requirement is based on a
5 series of inputs from ITC Midwest's Attachment O formula rate
6 calculations. In calculating our Attachment O formula rate, the MISO
7 Tariff requires information sharing procedures and review by interested
8 parties. Importantly, the MISO Tariff explicitly identifies state regulatory
9 commissions as interested parties and provides them standing to both
10 conduct discovery and challenge calculation of the inputs to the formula
11 rate at FERC. **Schedule 2** to my testimony provides the relevant MISO
12 Tariff sheets providing for these procedures.

13
14 In addition, as part of this proceeding and to ensure that the Commission
15 has timely information, ITC Midwest commits that it will provide the
16 Commission with updated cost estimates for the Lakefield Junction -
17 Huntley and Huntley - Iowa border segments when it files all plan and
18 profile documents for each segment. ITC Midwest will also provide final
19 actual costs when the Project is placed in service. ITC Midwest also
20 commits to provide the Commission with notice of any submission the
21 Company makes to MISO or FERC that pertains to costs for the Project.
22 These commitments will ensure that the Commission has all of the
23 information it needs to decide whether to make a filing at FERC to protect
24 its interests.

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VI. CONCLUSION

Q. WHAT IS YOUR RECOMMENDATION TO THE COMMISSION?

A. The Project is needed to meet the reliability needs of Minnesota, Iowa, and the region and is part of a comprehensive portfolio designed to improve the efficiency of the energy markets and reduce prices throughout the MISO footprint. The cost cap condition the DOC-DER staff recommends is unsupported by the record evidence, exceeds the Commission’s authority under state law, and is preempted by FERC’s plenary authority over ITC Midwest’s rates. The Commission should grant a Certificate of Need for the Project as proposed and without cost cap conditions. Should the Commission decline to grant a Certificate of Need, it should do so on the merits and decline to require any further action by ITC Midwest regarding the 161 kV Rebuild Alternative.

Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

A. Yes.

6107030

Douglas Carl Collins

Experience

2012 - Present ITC Holdings Dubuque, IA

Vice President, ITC Holdings/President, ITC Midwest

- Participate in Holding Company Issue Guidance
- Responsible for overall success of ITC Midwest
- Provide Direction to ITC Midwest Employees/Contractors
- Review Capital and Maintenance Budgets
- Represent ITC Midwest before State Regulatory Bodies
- Represent ITC Midwest before Stakeholders
- Facilitate the improvement, rebuilding and expansion of the transmission system acquired by ITC Midwest in 2007 through proactive maintenance and focused investment, resulting in increased reliability and performance
- Oversee the application of ITC's business model at ITC Midwest, including a singular focus on transmission, resulting in greater financial strength to invest in transmission projects
- Facilitate the investments of ITC Midwest
- Responsible for overseeing ITC Midwest's response to the transmission needs and policy objectives of its retail jurisdictions and ITC Midwest's follow through on commitments
- Responsible for ensuring system reliability and efficiency through investment focused on lowering energy costs through removal of transmission constraints
- Oversee community involvement
- Responsible for ITC Midwest's relationship and compliance with regulatory authorities
- Oversee Stakeholder/Customer relationships

2007-2012 ITC Holdings Dubuque, IA

Executive Director, ITC Midwest

- Responsible for overall success of ITC Midwest
 - Provide Direction to ITC Midwest Employees/Contractors
 - Review Capital and Maintenance Budgets
 - Represent ITC Midwest before State Regulatory Bodies
 - Represent ITC Midwest before Stakeholders
 - Facilitate the improvement, rebuilding and expansion of the transmission system acquired by ITC Midwest in 2007 through proactive maintenance and focused investment, resulting in increased reliability and performance
 - Oversee the application of ITC's business model at ITC Midwest, including a singular focus on transmission, resulting in greater financial strength to invest in transmission projects
 - Facilitate the investments of ITC Midwest
 - Responsible for overseeing ITC Midwest's response to the transmission needs and policy objectives of its retail jurisdictions and ITC Midwest's follow through on commitments
 - Responsible for ensuring system reliability and efficiency through investment focused on lowering energy costs through removal of transmission constraints
 - Oversee community involvement
 - Responsible for ITC Midwest's relationship and compliance with regulatory authorities
 - Oversee Stakeholder/Customer relationships
-

1998-2007 Alliant Energy Dubuque, IA

Director of System Planning/General Manager of System Planning

- Responsible for Transmission System Plans
- Responsible for Distribution System Plans
- Represent Alliant Energy on Industry Groups
- Supervise Preparation of Capital Projects Budget for Transmission and Distribution
- Responsible for Reliability Dispatch

1993-1998 Interstate Power Company Dubuque, IA

Director of System Planning

- Responsible for Transmission System Plans
- Represent Interstate Power Company on Industry Groups
- Prepare Capital Projects Budget for Transmission

1983-1993 Interstate Power Company Dubuque, IA

Planning Engineer

- Perform Transmission Planning Studies
- Participate in Resource Planning Studies
- Participate on Industry Groups on Behalf of Interstate Power Company
- Member of Various Transmission study groups

Education

1977-1983 Iowa State University Ames, IA

BS in Electrical Engineering

Douglas C. Collins – Other Experience

Participated on various Transmission Study Task Forces/Working Groups at Mid-continent Area Power Pool (MAPP)

Participated on established and adhoc Transmission Study groups in Iowa and Minnesota

Member – MAPP Engineering Committee

Chairman – MAPP Regional Transmission Organization

Vice Chair – Mid-American Interconnected Network Planning Committee

Chairman – MISO Transmission Owners Committee

Vice Chairman – MISO Advisory Committee

Member – MISO Board of Director nominating committee

Member – Iowa State University Electric Power Research Center

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Rate Formulae
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ATTACHMENT O
RATE FORMULAE

(See the following Attachments)

- Transmission Provider -- Formulaic Rates Description
- Formula Rate – Non-Levelized – Rate Formula Template Utilizing FERC Form 1 Data
- Formula Rate – Non-Levelized – Rate Formula Template Utilizing RUS Form 12 Data
- Formula Rate – Non-Levelized– Rate Formula Template Utilizing EIA Form 412 Data
- Formula Rate – Cash Flow – Rate Formula Template Utilizing RUS Form 12 Data
- Formula Rate – Cash Flow – Rate Formula Template Utilizing EIA Form 412 Data
- Formula Rate – ATC – American Transmission Company LLC, Rate Formula
- Formula Rate – International – International Transmission Company,
FERC Form 1 Data
- Formula Rate – METC – Michigan Electric Transmission Company, LLC,

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FERC Form 1 Data

- Formula Rate – Midwest– ITC Midwest LLC,

FERC Form 1 Data

- Formula Rate – NSP – Northern States Power Companies,

FERC Form 1 Data

- Formula Rate – SMMPA – Southern Minnesota Municipal Power Agency,

EIA Form 412 Data

- Formula Rate – Vectren – Vectren Energy Delivery of Indiana, Inc.,

FERC Form 1 Data

- Formula Rate – GRE – Great River Energy

RUS Form 12 Data

- Formula Rate – MidAm – MidAmerican Energy Company

FERC Form 1 Data

- Formula Rate – Montezuma – Montezuma Municipal Light & Power

EIA Form 412 Data

- Formula Rate – Tipton – Tipton Municipal Utilities

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EIA Form 412 Data

- Formula Rate – MP – Allete, Inc. dba Minnesota Power, Inc.

FERC Form 1 Data

- Formula Rate – CMMPA – Central Minnesota Municipal Power Agency

FERC Form 1 Data

- Formula Rate – OTP – Otter Tail Power Company

FERC Form 1 Data

- Formula Rate – ATXI – Ameren Transmission Company of Illinois

FERC Form 1 Data

- Formula Rate – AIC – Ameren Illinois Company

FERC Form 1 Data

- Formula Rate – MDU – Montana-Dakota Utilities

FERC Form 1 Data

- Formula Rate – MRES – Missouri River Energy Services

EIA Form 412 Data

- Formula Rate – NIPSCO – Northern Indiana Public Service Company

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FERC Form 1 Data

- Formula Rate – Cleco – Cleco Power LLC

FERC Form 1 Data

- Formula Rate – Tex-La – East Texas Electric Cooperative, Inc., on behalf of Tex-La Electric Cooperative of Texas, Inc.

RUS Form 12 Data

- Formula Rate – DPC – Dairyland Power Cooperative

RUS Form 12 Data

- Formula Rate – EAI -Entergy Arkansas, Inc.

FERC Form 1 Data

- Formula Rate – EGSL -Entergy Gulf States Louisiana, L.L.C.

FERC Form 1 Data

- Formula Rate – ELL -Entergy Louisiana, LLC

FERC Form 1 Data

- Formula Rate – EMI -Entergy Mississippi, Inc.

FERC Form 1 Data

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- Formula Rate – ENO -Entergy New Orleans, Inc.

FERC Form 1 Data

- Formula Rate – ETI -Entergy Texas, Inc.

FERC Form 1 Data

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Attachment O
Page 1 of 2

Transmission Provider Formulaic Rates

Description

Any capitalized terms not defined in Attachment O shall have the meaning as defined in Module A of the Tariff. For the purposes of Attachment O, all references to Transmission Owner(s) shall include ITC(s). Each Transmission Owner will complete the appropriate Rate Formula Template (template) on or before May 1 of each year based on data for the previous year, unless otherwise provided in a company-specific Attachment O formula. Transmission Owners must have their financial statements independently audited. Unless otherwise provided in a company-specific Attachment O formula, if audited financial statement data for the previous year is not available to a Transmission Owner before May 1, such Transmission Owner shall utilize data from audited financial statements from one year earlier, and the Transmission Owner must consistently utilize such data from one year earlier unless timely notification is filed with and approved by the Commission. The Transmission Provider will review each completed template and the appropriate publicly available data (Form No. 1, Form No. 12, or Form No. 412) for accuracy. To the extent that the Transmission Provider requests supporting data or documentation, to ensure that the templates are properly completed, the Transmission Owners are required to produce the requested material in a timely fashion. After the Transmission Provider has reviewed the templates for accuracy, it will issue a letter to each Transmission Owner informing them that the rates and revenue requirements resulting from the template was reviewed and approved by the Transmission Provider.

If a cooperative or municipal Transmission Owner proposes to change the Rate Formula Template being used, from the cash flow to the non-levelized or from the non-levelized to the cash flow, it must file notice with FERC prior to May 1 of that year.

The rates for Drive-in and Drive Within:

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The rate calculated on Page 2 for each zone will be the zonal rate for Drive-in and Drive Within ISO Transmission Service.

The rates for Drive-Out and Drive-Through:

The rates for Drive-Out and Drive-Through service will be based on the Transmission Provider average rate as calculated on Page 2.

Attachment O

Midwest ISO Formulaic Rates

Page 2 of 2

- 1 Drive-In and Drive-Within ISO Transmission Service:

- 2 The components of each Zonal Annual Rate are (1) the Gross Revenue Requirement on
- 3 Page 1, Line 1 of the Rate Formula Template; (2) the Revenue Credits on Page 1, Line 6 of
- 4 the Rate Formula Template; and (3) the Divisor on Page 1, Line 15 of the Rate Formula
- 5 Template.

- 6 Each Zonal Annual Rate is calculated as follows (using the numbers immediately above):
- 7 $[1 - 2] \div 3$

- 8 On Peak:

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9	Annual Rate	Zonal Annual Rate	
10	Monthly Rate	Zonal Annual Rate divided by 12	
11	Weekly Rate	Zonal Annual Rate divided by 52	
12	Daily Rate	Zonal Annual Rate divided by 260	capped at weekly rate
13	Hourly Rate	Zonal Annual Rate divided by 4160	capped at weekly and daily rates
14	Off Peak:		
15	Daily Rate	Zonal Annual Rate divided by 365	
16	Hourly Rate	Zonal Annual Rate divided by 8760	

17 The ISO will also bill the Transmission Customer for any FERC Annual Fees that the ISO is assessed pursuant to
 18 Part 382, Subpart B of the Commission’s Regulations for Service under this Tariff. The Transmission Customer is
 19 also responsible for any FERC Annual Fees that the Transmission Owners are assessed pursuant to Part 382,
 20 Subpart B for service under this Tariff. These fees, if any, will be recovered in Line 21 of the Rate Formula
 21 Templates.

22 Drive-Out and Drive-Through ISO Transmission Service:

23 The components of the Midwest ISO Average Annual Rate are (a) the sum of the Gross
 24 Revenue Requirements on Page 1, Line1 of the Rate Formula Template for each

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25 Transmission Owner; (b) the sum of the Revenue Credits on Page 1, Line 6 of the Rate Formula Template for
 26 each Transmission Owner; (c) the sum of the Divisors on Page 1, Line 15 of the Rate
 27 Formula Template for each Transmission Owner; (d) the sum of all CBM flowgate values
 28 reserved by the Transmission Provider on the Transmission System pursuant to Attachment C;
 29 and (e) the sum of all flowgate TTC values on the Midwest ISO Transmission System.

30 For purposes of (d) and (e), the total CBM reserved by the Transmission Provider and the total TTC on the
 31 Transmission System shall be determined semi-annually on January 1st and June 1st of each calendar
 32 year when the Average Annual Rate is updated. The CBM and TTC values for each flowgate shall be the
 33 average CBM and TTC on the flowgate for the current calendar year.

34 The Midwest ISO Average Annual Rate is calculated as follows (using the letters immediately above):

35 $[a - b] \div [(c * (1 + (d \div e))]$

36 On Peak:

37 Annual Rate	Midwest ISO Average Annual Rate
38 Monthly Rate	Midwest ISO Average Annual Rate divided by 12
39 Weekly Rate	Midwest ISO Average Annual Rate divided by 52
40 Daily Rate	Midwest ISO Average Annual Rate divided by 260 capped at weekly rate
41 Hourly Rate	Midwest ISO Average Annual Rate divided by 4160 capped at weekly and daily rates

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- 42 Off Peak:
- 43 Daily Rate Midwest ISO Average Annual Rate divided by 365
- 44 Hourly Rate Midwest ISO Average Annual Rate divided by 8760

45 The ISO will also bill the Transmission Customer for any FERC Annual Fees that the ISO is assessed pursuant to
46 Part 382, Subpart B of the Commission’s Regulations for Service under this Tariff. The Transmission Customer is
47 also responsible for any FERC Annual Fees that the Transmission Owners are assessed pursuant to Part 382,
48 Subpart B for service under this Tariff. These fees, if any, will be recovered in Line 21 of the Rate Formula
49 Templates.

Formula Rate Protocols

Section I. Applicability

The following Annual Update, Information Exchange, and Challenge Procedures shall apply to all Transmission Owners that do not use a company-specific Attachment O Rate Formula Template.

Section II. Annual Updates

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- A. Beginning June 1, 2014, the Annual Transmission Revenue Requirement applicable under this Attachment O and the Network Integration Transmission Service and Point-to-Point Transmission Service charges derived therefrom shall be applicable to services on and after June 1 of a given year through May 31 of the subsequent year (the “Rate Year”).
- B. On or before June 1, 2014, and on or before June 1 of each succeeding Rate Year, each Transmission Owner shall recalculate its Annual Transmission Revenue Requirement, producing the Annual Update for the upcoming Rate Year, and shall provide such information to MISO and cause such information to be posted on the MISO website and OASIS.
- C. If the date for posting the Annual Update falls on a weekend or a holiday recognized by FERC, then the posting shall be due on the next business day. The date on which such posting occurs shall be that year’s “Publication Date.”
- D. The Annual Update for the Rate Year shall:
 - 1. Include a workable data-populated Formula Rate Template and underlying workpapers in native format with all formulas and links intact;
 - 2. Be based on the Transmission Owner’s FERC Form No. 1, Energy Information Agency (“EIA”) Form No. 412,¹ or Rural Utilities Service (“RUS”) Form No. 12 (“Applicable Form”);

¹ While the EIA no longer requires the submission of Form No. 412, Transmission Owners utilizing EIA Form No. 412 will make data from the EIA Form No. 412 that are used in calculating the rate publicly available.

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3. Provide the formula rate calculations and all inputs thereto, as well as supporting documentation and workpapers for data that are used in the formula rate that are not otherwise available in the Applicable Form;²
4. Provide sufficient information to enable Interested Parties (as that term is defined in Section II.E of these protocols) to replicate the calculation of the formula results from the Applicable Form;
5. Identify any changes in the formula references (page and line numbers) to the Applicable Form;
6. Identify all material adjustments made to the Applicable Form data in determining formula inputs, including relevant footnotes to the Applicable Form and any adjustments not shown in an Applicable Form;
7. Provide underlying data for formula rate inputs that provide greater granularity than is required for the Applicable Form;
8. With respect to any material change in accounting that affects inputs to the formula rate or the resulting charges billed under the formula rate (“Material Accounting Change”):
 - a. Identify any Material Accounting Changes not previously reported in the Applicable Form, including
 - i. The initial implementation of an accounting standard or policy, consistent with what is required to be disclosed under the Applicable Form;
 - ii. the initial implementation of accounting practices for unusual or unconventional items where FERC has not provided specific accounting direction;

² It is the intent of the formula rate, including the supporting explanations and allocations described therein, that each input to the formula rate will be either taken directly from the Applicable Form or reconcilable to the Applicable Form by the application of clearly identified and supported information. If the referenced form is superseded, the successor form(s) shall be utilized and supplemented as necessary to provide equivalent information as that provided in the superseded form. If the referenced form(s) is (are) discontinued, equivalent information as that provided in the discontinued form(s) shall be utilized.

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- iii. correction of errors and prior period adjustments that impact the revenue requirement, limited to adjustments that alter what is reported in the Applicable Form and require resubmittal of the Applicable Form;
 - iv. the implementation of new estimation methods or policies that change prior estimates; and
 - v. changes to income tax elections;
 - b. Identify items included in the formula rate at an amount other than on a historic cost basis (e.g., fair value adjustments);
 - c. Identify any reorganization or merger transaction during the previous year that required submission of a filing under section 203 or 205 of the Federal Power Act and explain the effect of the accounting for such transaction(s) on inputs to the formula rate;
 - d. Provide, for each item identified pursuant to items II.D.8.a - II.D.8.c of these protocols, a narrative explanation of the individual impact of such changes on charges billed under the formula rate.
- E. The Transmission Owner shall hold an open meeting among Interested Parties (“Annual Meeting”) between the Publication Date and October 1. The Transmission Owner shall provide notice on MISO’s internet website and OASIS of the time, date, and location of the Annual Meeting. For purposes of these procedures, the term Interested Party includes, but is not limited to, customers under the Tariff, state utility regulatory commissions, OMS, consumer advocacy agencies, and state attorneys general. The Annual Meeting shall (i) permit the Transmission Owner to explain and clarify its Annual Update and (ii) provide Interested Parties an opportunity to seek information and clarifications from the Transmission Owner about the Annual Update.

Section III. Information Exchange Procedures

Each Annual Update shall be subject to the following information exchange procedures (“Information Exchange Procedures”):

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A. Interested Parties shall have up to one hundred twenty (120) days after each annual Publication Date (unless such period is extended with the written consent of the Transmission Owner or by FERC order) to serve reasonable information and document requests on the Transmission Owner (“Information Exchange Period”); provided, however, that the parties making such requests shall make a good faith effort to submit consolidated sets of information and document requests that limit the number and overlap of questions to the maximum extent practicable. Such information and document requests shall be limited to what is necessary to determine:

- (1) the extent or effect of a Material Accounting Change;
- (2) whether the Annual Update fails to include data properly recorded in accordance with these protocols;
- (3) the proper application of the formula rate and procedures in these protocols;
- (4) the accuracy of data and consistency with the formula rate of the charges shown in the Annual Update;
- (5) the prudence of actual costs and expenditures; and
- (6) the effect of any change to the underlying Uniform System of Accounts or the Applicable Form.

The information and document requests shall not otherwise be directed to ascertaining whether the formula rate is just and reasonable. All information and document requests must be submitted by no later than October 1, unless the Information Exchange Period is extended by the Transmission Owner or FERC.

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- B. The Transmission Owner shall make a good faith effort to respond to information and document requests pertaining to the Annual Update within fifteen (15) business days of receipt of such requests. The Transmission Owner shall respond to all information and document requests by no later than December 1, unless the Information Exchange Period is extended by the Transmission Owner or FERC.
- C. The Transmission Owner will cause to be posted on OASIS all information requests from Interested Parties and the Transmission Owner's response(s) to such requests. Such posting will be subject to all applicable confidentiality protections under the Tariff.

Section IV. Challenge Procedures

- A. Interested Parties shall have up to one hundred fifty (150) days after the Publication Date (unless such period is extended with the written consent of the Transmission Owner or by FERC order) to review the inputs, supporting explanations, allocations, and calculations ("Review Period") and to notify the Transmission Owner in writing, which may be made electronically, of any specific Informal Challenges. Failure to pursue an issue through an Informal Challenge or to lodge a Formal Challenge regarding any issue as to a given Annual Update shall bar pursuit of such issue with respect to that Annual Update, but shall not bar pursuit of such issue or the lodging of a Formal Challenge as to such issue as it relates to a subsequent Annual Update.
- B. Informal Challenges shall be subject to the resolution procedures and limitations in this Section IV. Formal Challenges shall be filed pursuant to these protocols and shall be filed under and satisfy all requirements established by 18 C.F.R. § 385.206.

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- C. A party submitting an Informal Challenge to a Transmission Owner must specify the inputs, supporting explanations, allocations, calculations, or other information to which it objects, and provide an appropriate explanation and documents to support its challenge. The Transmission Owner shall make a good faith effort to respond to any Informal Challenge within twenty (20) business days of notification of such challenge. The Transmission Owner, and where applicable, the Transmission Provider, shall appoint a senior representative to work with the party that submitted the Informal Challenge (or its representative) toward a resolution of the challenge. If the Transmission Owner disagrees with such challenge, the Transmission Owner will provide the Interested Party(ies) with an explanation supporting the inputs, supporting explanations, allocations, calculations, or other information. No Informal Challenge may be submitted after November 1, and the Transmission Owner must respond to all Informal Challenges by no later than December 1, unless the Review Period is extended by the Transmission Owner or FERC.
- D. Informal and Formal Challenges shall be limited to: (1) the extent or effect of a Material Accounting Change; (2) whether the Annual Update fails to include data properly recorded in accordance with these protocols; (3) the proper application of the formula rate and procedures in these protocols; (4) the accuracy of data and consistency with the formula rate of the charges shown in the Annual Update; (5) the prudence of actual costs and expenditures; and (6) the effect of any change to the underlying Uniform System of Accounts or the Applicable Form.

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- E. The Transmission Owner will cause to be posted all Informal Challenges from Interested Parties and the Transmission Owner's response(s) to such Informal Challenges. Such posting will be subject to all applicable confidentiality protections under the Tariff.
- F. Any changes or adjustments to the Annual Update resulting from the Information Exchange and Informal Challenge processes that are agreed to by the Transmission Owner will be reported in the Informational Filing required pursuant to Section VI of these protocols and will be reflected in the Annual Update for the following Rate Year, as discussed in Section V of these protocols.
- G. If the Transmission Owner and any Interested Party(ies) have not resolved any Informal Challenge within thirty (30) days after the Review Period, an Interested Party shall have an additional thirty (30) days (unless such period is extended with the written consent of the Transmission Owner to continue efforts to resolve the Informal Challenge) to make a Formal Challenge with FERC, which shall be served on the Transmission Owner by electronic service on the date of such filing. The Transmission Owner shall respond to the Formal Challenge by the deadline established by FERC. A party's Formal Challenge may not raise any issue that was not the subject of that party's Informal Challenge during the applicable Review Period.
- H. In any proceeding initiated by FERC concerning the Annual Update or in response to a Formal Challenge, the Transmission Owner shall bear the burden, consistent with section 205 of the Federal Power Act, of proving that it has correctly applied the terms of the formula rate consistent with these protocols, and that it followed the applicable requirements and procedures in

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this Attachment O, in that year's Annual Update. Nothing herein is intended to alter the burdens applied by FERC with respect to prudence challenges.

- I. Subject to judicial review of FERC orders, each Annual Update shall become final as to the Annual Transmission Revenue Requirement calculated for the Rate Year for which the Annual Update was calculated and no longer subject to challenge pursuant to these Annual Review protocols or by any other means by FERC or any other entity on the later to occur of (i) passage of the thirty (30) day period (or extended period, if applicable) for making a Formal Challenge if no such challenge has been made and FERC has not initiated a proceeding to consider the Annual Update, or (ii) a final FERC order issued in response to a Formal Challenge or a proceeding initiated by FERC to consider the Annual Update.
- J. Except as specifically provided herein, nothing herein shall be deemed to limit in any way the right of the Transmission Owner to file unilaterally, pursuant to Federal Power Act section 205 and the regulations thereunder, to change the formula rate or any of its inputs (including, but not limited to, rate of return and transmission incentive rate treatment), or to replace the formula rate with a stated rate, or the right of any other party to request such changes pursuant to section 206 of the Federal Power Act and the regulations thereunder.
- K. No party shall seek to modify the formula rate under the Challenge Procedures set forth in these protocols and the Annual Update shall not be subject to challenge by anyone for the purpose of modifying the formula rate. Any modifications to the formula rate will require, as applicable, a Federal Power Act section 205 or section 206 filing.

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- L. Any Interested Party seeking changes to the application of the formula rate due to a change in the Uniform System of Accounts or the Applicable Form, shall first raise the matter with the Transmission Owner in accordance with this Section IV before pursuing a Formal Challenge.

Section V. Changes to Annual Updates

Any changes to the data inputs, including but not limited to revisions to the Transmission Owner's Applicable Form, or as the result of any FERC proceeding to consider the Annual Update, or as a result of the procedures set forth herein, shall be incorporated into the formula rate and the charges produced by the formula rate in the Annual Update for the next effective Rate Year. This reconciliation mechanism shall apply in lieu of mid-Rate Year adjustments. Interest on any refund shall be calculated in accordance with 18 C.F.R. § 35.19a ("FERC's Interest Rate"), and interest on any surcharge shall be calculated using the lower of FERC's Interest Rate or the Transmission Owner's short-term borrowing rate, if applicable.

Section VI. Informational Filings

- A. By January 31 of each year, the Transmission Owner shall submit to FERC an informational filing ("Informational Filing") of its Annual Update. This Informational Filing must include the information that is reasonably necessary to determine: (1) that input data under the formula rate are properly recorded in any underlying workpapers; (2) that the Transmission Owner has properly applied the formula rate and these procedures; (3) the accuracy of data and the consistency with the formula rate of the Actual Transmission Revenue Requirement and rates under review; and (4) the extent of accounting changes that affect

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formula rate inputs. The Informational Filing must also describe any corrections or adjustments made during that period, and must describe all aspects of the formula rate or its inputs that are the subject of an ongoing dispute under the Informal or Formal Challenge procedures.

- B. Any challenges to the implementation of the Attachment O formula rate must be made through the Challenge Procedures described in Section IV of these protocols or in a separate complaint proceeding, and not in response to the Informational Filing.