

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Midcontinent Independent)
System Operator, Inc.)

Docket No. ER19-1065-000

**COMMENTS OF
THE AMERICAN PUBLIC POWER ASSOCIATION AND
THE NATIONAL RURAL ELECTRIC COOPERATIVE ASSOCIATION**

The American Public Power Association (“APPA”) and the National Rural Electric Cooperative Association (“NRECA”) support the proposal by the Midcontinent Independent System Operator, Inc. (“MISO”) to implement an expedited process for the owner of an Existing Generating Facility to replace a resource where it is shown that the replacement will not have a material adverse impact on the MISO Transmission System.¹ MISO’s Generator Replacement proposal would provide a just and reasonable process for generation owners in MISO – including public power and electric cooperative utilities – to replace older, less efficient generation resources and continue the same amount and type of interconnection service while avoiding unnecessary generation retirement and interconnection procedure requirements and attendant costs.²

MISO’s filing describes the challenges currently faced by a generation resource owner that wishes to replace an existing facility with a new resource at the same point of interconnection. To accomplish this objective today, the owner of an Existing Generating Facility must follow the procedures in MISO’s Open Access Transmission, Energy and Operating Reserve Markets Tariff (“Tariff”) for retiring the existing resource, while separately

¹ *Midcontinent Indep. Sys. Operator, Inc.*, Docket No. ER19-1065-000, “Revisions to Attachment X of the Tariff to Effectuate MISO’s Generator Replacement Proposal” (Feb. 15, 2019) (“Generator Replacement Filing”). APPA and NRECA have each separately filed a doc-less motion to intervene in this docket.

² *See id.*, Transmittal Letter at 13.

submitting a new interconnection request for the planned resource.³ As MISO explains in detail, this “dual track” approach is inefficient, unreasonably exposes the generation owner to Network Upgrade costs, and can interfere with resource planning “by creating uncertainty about what Generating Facilities will be available to serve load in the medium and long term.”⁴

The Generator Replacement framework proposed by MISO would provide a just and reasonable means to address many of these concerns by allowing the owner of an Existing Generating Facility to submit an Interconnection Request for a replacement facility at the same point of interconnection, up to the same level of megawatts as its existing Interconnection Service. Upon a finding by MISO that the replacement resource will not have a material adverse impact on the Transmission System, the Interconnection Request would be processed under expedited Generator Replacement rules, ultimately allowing the generation owner to enter into a new or amended Generator Interconnection Agreement (“GIA”) for the replacement facility.⁵ Thus, in the absence of a material adverse impact, the Interconnection Request for the replacement facility would avoid the uncertainties – including the prospect of funding additional Network Upgrades – associated with use of the Definitive Planning Phase of MISO’s Generator Interconnection Procedures.⁶

The Generator Replacement proposal would help enable public power and cooperative utilities in MISO to meet their obligation to serve the long-term power supply needs of their

³ *See id.* at 12-14.

⁴ *Id.* at 4.

⁵ *See id.* at 10-11. The Generator Replacement procedures also provide for mitigation of any reliability impacts that might otherwise arise during the period between when the existing generator ceases operation and the replacement facility commences commercial operation. *See id.* at 11.

⁶ *See, e.g., id.* at 13 (explaining that “[i]n the absence of an expedited process to replace a retiring Generating Facility with a new, efficient Generating Facility, a utility would face a multi-year interconnection process and multiple payments to replace aged equipment without any increase in the amount or type of service.”).

customer-owners in a secure, cost-effective manner that accommodates customer preferences and policy choices.⁷ Although MISO’s Generator Replacement process would be available to any MISO Interconnection Customer with an Existing Generating Facility, the process would address the needs of public power, cooperative, and vertically integrated utilities that desire to replace existing generation resources with new, likely more efficient resources.⁸ These utilities have secured Interconnection Service for existing units to meet their service obligations to their customers, and it is just and reasonable not to send them “back to square one” in the interconnection process when all that is proposed is continuation of the same type and level of service using a replacement generator with no material impact on the MISO Transmission System.⁹ APPA and NRECA strongly concur in MISO’s observation that the Generator Replacement proposal “acknowledges the contractual nature of the GIA and provides an amendment mechanism to enable Generating Facility owners to make the most productive use of their contracted service and the Transmission System, to the ultimate benefit of ratepayers.”¹⁰

⁷ See, e.g., *id.* at 15 (observing that “an effective mechanism that allows for the expedited review and approval of proposed Replacement Generating Facilities remains one of the most useful process improvements that MISO can implement for helping Existing Generating Facility owners adapt to change and continue to provide low cost energy to ratepayers consistent with policy goals.”).

⁸ The Commission has recognized that “[t]he vast majority (approximately 90 percent) of MISO’s load is served by vertically integrated utilities over which state and local authorities play an active role in ensuring resource adequacy.” *Midcontinent Indep. Sys. Operator, Inc.*, 162 FERC ¶ 61,176 at P 67 (2018), *reh’g pending*. Thus, while MISO explains that other RTOs and ISOs also have tariff mechanisms that accommodate generator replacement, *see* Transmittal Letter at 19-22, a process that helps ensure that utilities can continue to meet their obligation to serve through replacement generation is particularly well-suited to the MISO region.

⁹ See, e.g., Generator Replacement Filing, Attachment A (Godbole Testimony) at 7 (noting that “the replacement process does not create any new increment of capacity on the system and cannot, by its design, negatively alter the electrical impacts of the Generating Facility at the same MW level after replacement . . .”).

¹⁰ Generator Replacement Filing, Transmittal Letter at 18. Because interconnection service is part of transmission service, a Commission order accepting MISO’s Generator Replacement proposal as just and reasonable would be consistent with the Commission’s obligation to use its authority under the Federal Power Act “in a manner that facilitates the planning and expansion of transmission facilities to meet the reasonable needs of load-serving entities to satisfy the service obligations of the load-serving entities, and enables load-serving entities to secure firm transmission rights . . . on a long-term basis for long-term power supply arrangements made, or planned, to meet such needs.” 16 U.S.C. § 824q(b)(4).

Using the impact of the new facility on the MISO Transmission System as “the determinative factor in allowing replacement,”¹¹ moreover, is a reasonable, fuel-neutral approach that facilitates cost-effective transition to more efficient resources. MISO’s proposal comports with (and is modeled upon) the right of MISO Interconnection Customers to amend the GIA to update equipment behind the point of interconnection if the change does not result in a material adverse impact on the Transmission System.¹² As MISO persuasively argues, “[f]rom an engineering point of view, if improvements behind the Point of Interconnection do not have negative impacts, there is no reason to make distinctions between partial equipment replacements and complete Generating Facility Replacements.”¹³

Finally, MISO’s proposal generally strikes a reasonable balance between accommodating the replacement of Existing Generating Facilities and avoiding unreasonable or unnecessary retention of interconnection capacity. In addition to restricting the Generator Replacement rules to replacement facilities that are the same or smaller size as the existing facility at the same point of interconnection, MISO’s proposal would, among other things, limit assignments and transfers of Interconnection Service for a year prior to the submission of a Replacement Request, through the Commercial Operation Date of the replacement facility.¹⁴ This transferability restriction, MISO explains, helps “ensure[] that the focus of the proposal remains squarely on the

¹¹ Generator Replacement Filing, Transmittal Letter at 4.

¹² *Id.* at 15-16. According to MISO, “[t]here is no limit on the number of times that the owner of an Existing Generating Facility can make these incremental upgrades to lower costs and/or extend the useful life of their Generating Facility.” *Id.* at 16.

¹³ *Id.* at 4; *see also id.* at 27 (observing that “ultimately it is the impact to the Transmission System of the change that should matter rather than whether the amount of equipment changes behind the point of Interconnection.”).

¹⁴ *Id.* at 36-37.

replacement of Existing Generating Facilities, and not transfers of Interconnection Service to other Interconnection Customers.”¹⁵

The Generator Replacement rules would also impose a three-year limit between the date the Existing Generation Facility ceases Commercial Operation and the Commercial Operation Date of the Replacement Generating Facility.¹⁶ While APPA and NRECA acknowledge the purpose and intent behind this three-year limit on the “gap period,” public power utilities in MISO have expressed concern that, depending on the size and type of the plant, a three-year limit could provide a tight deadline, and could deprive a utility of the use of the Generator Replacement mechanism even where legitimate progress is being made toward completion of a replacement generator. Thus, while a time limit on the duration of the gap period may be appropriate, MISO should consider allowing an Interconnection Customer to continue to utilize the Generator Replacement rules for a period longer than three years, provided legitimate progress is being made toward project completion.

In sum, APPA and NRECA support MISO’s proposal to implement an expedited process for the owner of an Existing Generating Facility to replace the resource where it is shown that the replacement will not have a material adverse impact on the MISO Transmission System, and we urge the Commission to accept MISO’s proposal, as discussed herein.

[Signature block appears on the next page]

¹⁵ *Id.* at 23.

¹⁶ *Id.* at 31-32.

Respectfully submitted,

/s/ John E. McCaffrey

Delia Patterson
SVP, Advocacy & Communications and
General Counsel
John E. McCaffrey
Regulatory Counsel
AMERICAN PUBLIC POWER
ASSOCIATION
2451 Crystal Drive, Suite 1000
Arlington, VA 22202
(202) 467-2900

/s/ Randolph Elliott

Randolph Elliott
Senior Director, Regulatory Counsel
NATIONAL RURAL ELECTRIC
COOPERATIVE ASSOCIATION
4301 Wilson Boulevard
Arlington, VA 22203
(703) 907-6818

Dated: March 8, 2019

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Arlington, Virginia, this 8th day of March, 2019.

/s/ John E. McCaffrey

John E. McCaffrey
2451 Crystal Drive
Suite 1000
Arlington, VA 22202
(202) 467-2900
jmccaffrey@publicpower.org