



**Organization of PJM States, Inc. (OPSI)**

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**OPSI RESOLUTION # 2012-13**

**Resolution Supporting the FERC Investigation of Formula Rate Protocols in FERC Docket No. EL12-35**

**WHEREAS**, On May 17, 2012 the FERC issued its Order Initiating Investigation of Formula Rate Protocols and Establishing Paper Hearing Procedures in Docket No. EL12-35 (“Order”) to determine whether the formula rate protocols under the Midwest Independent Transmission System Operator, Inc. (MISO) Tariff are sufficient to ensure just and reasonable rates; and,

**WHEREAS**, In the Order, the FERC identified issues raised by the Illinois Commerce Commission (“ICC”) and the Indiana Utility Regulatory Commission (“IURC”) regarding the sufficiency of the formula rate protocols of certain transmission owners to ensure just and reasonable rates; *and*,

**WHEREAS**, The FERC recognized that the concerns raised by the ICC and the IURC regarding the opportunity to review the inputs and calculations and to challenge the prudence of costs to be recovered in the formula rate of the transmission owner may have merit; *and*,

**WHEREAS**, The FERC categorized three areas of concern regarding formula rate protocols as: (1) scope of participation – who can participate in the information exchange; (2) the transparency of the information exchange – what is exchanged; and (3) the ability to challenge the transmission owners’ implementation of the formula rate as a result of the information exchange – how the parties may resolve their potential dispute; *and*,

**WHEREAS**, The FERC acknowledges that effective formula rate protocols are one safeguard that need to be in place to ensure that the input data is the correct data, that calculations are performed consistent with the formula, that the costs to be recovered in the formula rate are reasonable and were prudently incurred, and that the rates are just and reasonable; *and*,

**WHEREAS**, Filings by the Organization of MISO States (“OMS”) and the IURC identified issues and proposed fundamental changes to the MISO protocols in the three categories of concern so that all interested parties would be given the opportunity to examine the rate inputs and calculations, challenge the reasonableness of the inputs and prudence of the costs, as well as pursue resolution of disputes; *and*,

**THEREFORE, BE IT RESOLVED**, The OPSI Board supports the FERC in its investigation to determine whether the formula rate protocols under the Midwest Independent Transmission System Operator, Inc. (MISO) Tariff are sufficient to ensure just and reasonable rates; *and*,

**BE IT FURTHER RESOLVED** The OPSI Board supports the fundamental changes to the MISO formula rate protocols proposed by the OMS and IURC to, among other things, require formula rate updates to be submitted to the FERC as informational filings; create a process to challenge proposed input data and the prudence of the costs proposed to be recovered through the formula rate; and establish appropriate procedures for dispute resolution.

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Adopted by the OPSI Board of Directors on July 23, 2012