



Summary of the State Agreement Process for Transmission Cost Allocation

Introduction

Regional transmission planning is evolving. In 2024 and 2025, the Federal Energy Regulatory Commission (FERC) issued a series of orders numbered 1920, 1920-A, and 1920-B, adding a long-term planning process to the current historic transmission planning process. Specifically, Order 1920 requires transmission providers (TPs) to:

- Produce a regional transmission plan of at least 20 years to identify long-term needs and the facilities to meet them, and
- Conduct this long-term planning at least once every five years using a plausible and diverse set of at least three scenarios that incorporate specific factors and use best available data.

Further, in Order 1920-A and Order 1920-B, FERC grants public utility commissions unprecedented authority to shape how transmission project costs are allocated. Navigating this new landscape requires more than just authority; it requires practical, action-oriented tools.

The State Agreement Process is the voluntary "opt-in" path to establish a state *ex ante* methodology (a pre-set formula) for cost allocation.¹ While TPs must establish a default *ex-ante* method, the State Agreement Process allows public utility commissions within a region to lead the design of an additional *ex ante* cost allocation method. This process assists the states in ensuring, to the best of their ability, that the costs to their ratepayers

¹ State Agreement Process outlined in *FERC Order No. 1920*, ¶1402-1421; See also *FERC Order No. 1920-B*, P 5 n. 13, which states: "For purposes of Order No. 1920, a State Agreement Process is a process by which one or more Relevant State Entities may voluntarily agree to a cost allocation method for Long-Term Regional Transmission Facilities (or a portfolio of such Facilities) before or no later than six months after they are selected in the regional transmission plan for purposes of cost allocation. Order No. 1920, 187 FERC ¶ 61,068 at P 45; Order No. 1920-A, 189 FERC ¶ 61,126 at P 24 n.28."



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are roughly commensurate with the actual benefits they receive, as opposed to a generic, one-size-fits-all regional methodology.

This summary describes five sections that correspond to a sample State Agreement Process. Each section sub header (such as 1.1 Preamble) is followed by a brief explanation with citations to relevant FERC orders. This document is based, in part, on a Pacific Northwest National Laboratory (PNNL) [presentation](#) and [recording](#) to the NARUC Transmission State Working Group in November 2025. See also [FERC: What State Regulators Need to Know About Order No. 1920-B](#) for order links and a helpful summary of all three orders.

DISCLAIMER: This document does not provide legal advice. NARUC makes no representation that this summary is complete and fully represents the complexities of compliance with FERC Order No. 1920 and its companions. Any use of this summary as guidance should be reviewed by an entity’s legal counsel.

Section 1: Purpose and scope

1.1 Preamble:

Develop statement of purpose aligning with FERC Order 1920 to enable relevant state entities (RSEs) to voluntarily agree on cost allocation. (O1920 ¶1357, ¶1402)

1.2 Scope:

Establish scope (i.e., applies to cost allocation for long-term regional transmission facilities identified through an Order 1920 planning cycle). (O1920 ¶1405)

Section 2: Governance and membership

2.1 Relevant state entities (RSEs):

Identify the RSEs and their authority to participate. Consider what other entities might participate. (O1920 ¶1364, ¶1405)



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2.2 Decision-making process:

Define voting requirements (e.g., unanimous consent, weighted majority, two-thirds majority, simple majority) and dispute resolution steps. The order does not set a minimum requirement for agreement. Consider what happens if the project applies to a subgroup of states in a region and whether that should impact voting and approval. (O1920 ¶1354, ¶1402, ¶1412, ¶1418)

2.3 Eligible facilities:

Identify which facilities will be considered under the State Agreement Process for cost allocation. Specify if the State Agreement Process will be used for all facilities or only a subset (and if so, what subset). (O1920 ¶ 1402, ¶1405)

2.4 Participation:

Consider whether the State Agreement Process will allow for non-voting observers (e.g., stakeholders, consumer advocates, neighboring regions). (O1920 ¶1405)

Section 3: Negotiation timeline and process

3.1 Initiation:

Identify how and when the State Agreement Process will be initiated. (O1920 ¶1354, ¶1357, ¶1406)

3.2 Information requests:

Establish the timeframe by which RSEs can formally request additional scenarios or data from the TP. (O1920-A ¶14, ¶364-367)

3.3 Negotiation meetings:

Identify both the frequency of and notice about meetings and when they must conclude during project-specific negotiations. (O1920 ¶1406)

3.4 Confidential information:

Set the processes for handling and protecting sensitive market or proprietary information (e.g., regarding retirements) as required by FERC. (O1920 ¶466)



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Section 4: Proposing and considering cost allocation methodologies

4.1 Process for proposing alternatives:

Articulate the process for RSEs or other participants to propose cost allocation methodologies for project(s) under consideration. (O1920 ¶1402, ¶1405)

4.2 Methodologies:

Identify types of information and examples of methodologies that will inform cost allocation discussions, potentially including benefits quantification process, baseline scenarios process, cost allocation formulas, and voluntary funding process. (O1920 ¶1294, ¶1301, ¶1204, O1920-A ¶364-367)

Section 5: Finalizing and filing the agreement

5.1 Agreement approval:

Determine how final agreement on cost allocation will be memorialized in writing, signed by all participating RSEs, and transmitted to the TP. (O1920 ¶A ¶629)

5.2 FERC Filing:

Identify when and how the TP will include the signed state agreement cost allocation proposal in its FERC compliance filing, with supporting documentation from the states. (O1920 ¶994, O1920-A ¶459)

5.3 Failure to agree:

In the absence of a successful state agreement on cost allocation methodology, make it clear that the TP's default cost allocation method will apply. (O1920 ¶1381)



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Additional Resources:

- [NARUC State Transmission Planning and Cost Allocation Workshop](#)
- NARUC Transmission State Working Group September 2025 Meeting: FERC Order 1920: State Agreement Process
 - [Presentation](#)
 - [Recording](#)
- [FERC: What State Regulators Need to Know About Order No. 1920-B](#)
- [FERC Explainer](#)
- [RTO Insider: MISO South Regulators' Independent Cost Allocation Process Design](#)

Example Proposals:

- [Draft Committee State Agreement Process_WestConnect](#)
- [ERSC/MISO-South subregion SAP proposal](#)



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