

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Midwest Independent Transmission System)
Operator, Inc.)

Docket No. ER07-478-000

REPLY OF THE ORGANIZATION OF MISO STATES
TO THE ANSWER OF THE MIDWEST ISO

I. Background

On April 6, 2007, the Midwest Independent Transmission System Operator, Inc. (“Midwest ISO”) tendered for filing an Answer to the protests and comments filed by parties in response to the Midwest ISO’s January 29, 2007 filing of proposed revisions to its Open Access Transmission and Energy Markets tariff, Federal Energy Regulatory Commission (“FERC” or “Commission”) Electric Tariff, Third Revised Volume No. 1, providing for Long-Term Firm Transmission Rights (“LTTR”) in compliance with Commission’s Order No. 681 and 681-A. The Organization of MISO States (“OMS”) is offering the following Reply in response to the Answer proposed by Midwest ISO in its filing.

II. Motion for Leave to Answer

The OMS seeks leave to submit this Reply to the Answer filed by the Midwest ISO in the captioned proceedings in order to clarify one issue and thereby aid the Commission’s decision-making process.

The OMS respectfully requests that Rule 213(a)(2) be waived and that the Commission accept this Reply for good cause shown.

III. MISO’s Answer Failed to Address a Primary Issue Raised in the OMS Comments

In its comments filed in this proceeding, the OMS raised an issue regarding the allocation of uplift charges that might result from the Midwest ISO allocating LTTRs that are infeasible.

- Uplift charges resulting from infeasible LTTRs that are not covered by counterflow should be allocated to LTTR holders based on the percentage of the ARR Auction valuation of the LTTRs (Section IV.A).

In its Answer, the Midwest ISO did not address this issue or respond to the OMS proposal. However, at page 10 of its Answer, the Midwest ISO did address a related issue raised in the comments of the Detroit Edison Company (DTE). The issue raised by DTE concerned the unfairness of allocating uplift charges for megawatts of ARRs that had been assigned as

counterflow. DTE's argument of the inequity of allocating additional costs to an entity having to take a counterflow ARR is similar in one respect to that made by the OMS: "Moreover, it is not equitable to assign an entity an instrument that has negative value and then use that same instrument as a means to add additional downside risk to that same entity." (OMS Comments, page 5).

The Midwest ISO's answer to DTE is:

"Counterflow ARRs are assigned to LSEs that did not nominate certain entitlements on which they previously requested long-term rights. This procedure tends to ensure LTTR rights for all LSEs. Due to this obligation, it is equitable to include the counterflow ARRs in the assignment of costs associated with infeasible ARRs. This was also the approach preferred by stakeholders, as indicated by the vote held during the January 29, 2007 Market Subcommittee meeting." (MISO Answer, page 9]

It appears that MISO argues that since the obligation of having to take a counterflow ensures that all LSEs obtain LTTRs, then those who have to take the counterflow ARRs have received some benefit for which they must pay. This argument makes little sense, and certainly does not rebut the fact that if a counterflow ARR has negative value (as determined in the Annual FTR Auction), those being assigned counterflow ARRs have been assigned a potential liability.

In summary, the OMS respectfully requests that the Commission find that it is not equitable to allocate additional cost to an entity that has already been allocated an ARR having negative value, and would therefore adopt the proposal set forth by the OMS.

The OMS submits the foregoing motion and comments because a majority of the members have agreed to support it. Individual OMS members reserve the right to file separate comments regarding the issues discussed in this pleading. The following members support this request:

Illinois Commerce Commission
Indiana Utility Regulatory Commission
Iowa Utilities Board
Michigan Public Service Commission
Minnesota Public Utilities Commission
Missouri Public Service Commission
Montana Public Service Commission
Nebraska Power Review Board
North Dakota Public Service Commission
Public Utilities Commission of Ohio
Wisconsin Public Service Commission
Kentucky Public Service Commission
South Dakota Public Utilities Commission

The Manitoba Public Utilities Board did not participate in this pleading. The Pennsylvania Public Utility Commission abstained from support of these comments.

The Iowa Office of Consumer Advocate, as an associate member of the OMS, participated in

these comments and generally supports these comments.

Respectfully Submitted,

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Dated: April 16, 2007

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 Des Moines, Iowa, this 16th day of April, 2007.

William H. Smith, Jr.