

**ORGANIZATION OF MISO STATES, INC.
SPECIAL BOARD OF DIRECTORS MEETING
CONFERENCE CALL
JULY 14, 2003**

APPROVED AUGUST 14, 2003

Commissioner Susan Wefald called the Special Board of Directors meeting of the Organization of MISO States, Inc. (OMS) to order at approximately 1:05.

The following directors were present by conference call for the meeting:

Susan Wefald, North Dakota	Kevin Wright, Illinois
Steve Gaw, Missouri	Laura Chappelle, Michigan
Diane Munns, Iowa	David Hadley, Indiana
LeRoy Koppendrayner, Minnesota	Greg Jergeson, Montana
Gary Hanson, South Dakota	Robert Garvin, Wisconsin

Proxies for the following directors were established:
Talina Mathews, Kentucky as a proxy for Gary Gillis.
Tim Texel, Nebraska for Louis Lamberty.
Kim Wissman, Ohio for Judy Jones.

The directors and their proxies listed above established the necessary quorum for the meeting of at least eight directors being present.

Other parties also participated in the conference call.

Commissioner Wefald noted that Commissioner Gary W. Gillis has replaced Martin Huelsmann as the OMS Board of Directors member from Kentucky.

Agenda Item 1, Approval of Minutes

It was moved and seconded that the reading of the draft minutes of the June 11, 2003 OMS Organizational meeting be waived. The motion was approved. Several minor corrections to the draft minutes were discussed and accepted. The minutes of the June 11, 2003 OMS Organizational meeting were then approved, as corrected.

It was moved and seconded that the reading of the draft minutes of the June 25, 2003 OMS Board of Directors meeting be waived. The motion was approved. Several minor corrections to the draft minutes were discussed and accepted. The minutes of the June 25, 2003 OMS Board of Directors meeting were then approved, as corrected.

Agenda Item 2, Treasurer's Report

Commissioner Chappelle, the OMS Treasurer, reported that MISO had wired \$100,000 to OMS' BancOne account, in accordance with the OMS Funding Agreement.

Commissioner Chappelle then called to the attention of the Board of Directors a minor discrepancy between the Funding Agreement and OMS Bylaws, in that the Funding Agreement requires all OMS funds to be fully insured. However, Federal Deposit Insurance Corporation regulations only allow for a maximum of \$100,000 to be insured, rather than the full amount of the \$500,000 funding called for in the Bylaws. Pending the hiring of an OMS Executive Director and a potential amendment to the Bylaws, it was decided that the account would be kept at or below the insured level

Agenda Item 3, Transmission Owners Resolution for the MISO Advisory Committee (MAC)

The Board of Directors discussed a resolution intended to be put forward by Midwest Independent Transmission Service Operator, Inc. (MISO) transmission owner representatives at the June 16, 2003 MAC meeting. The text of this resolution, according to a July 10, 2003 e-mail to Commissioner Wefald from Mr. Daryl Hanson of Otter Tail Power Company, read as follows:

The Midwest ISO should include in both its energy markets tariff FERC filing and its FTR allocation FERC filing a set of milestones to focus efforts on measured progress toward the implementation of Day 2 markets. For each milestone, the Midwest ISO should include specific performance criteria for determining when the milestone has been met. The Midwest ISO should report monthly at the Advisory Committee meeting stating its progress towards satisfying the performance criteria for each milestone.

Regarding this MISO Transmission Owner resolution, it was moved and seconded that the following OMS motion be considered: "that OMS direct the three OMS members of the MISO Advisory Committee to support the Transmission Owner resolution at the MISO Advisory Committee meeting on July 16." After discussion among the OMS Board of Directors, the motion was amended to read as follows: "it is the sense of the Organization of MISO States to support the Transmission Owners resolution that is attached above at the MISO Advisory Committee meeting on July 16." The motion was approved.

Agenda Item 4, Role of Advisory Committee Members

Commissioner Wright stated that a new draft of the document "MISO Advisory Process – Role of State Commission Representatives" had been issued by representatives of the Illinois Commerce Commission, reflecting suggested comments from representatives of the Michigan Public Service Commission. However, comments that had been sent concerning this document from representatives of the Iowa Utilities Board (IUB) had not been reflected in the latest draft. A representative of the IUB then discussed the suggested language changes. The following motion was moved and seconded: "that the OMS approve the document 'MISO Advisory Process – Role of State Commission

Representatives,' as amended with the suggestions of the Iowa Utilities Board." The motion was approved.

The document "MISO Advisory Process – Role of State Commission Representatives," as approved, is included in these minutes as Attachment A.

Agenda Item 5, MISO Committee Restructuring Work Group (CWRG)

Recommendations

Another agenda item at the July 16, 2003 MAC meeting is consideration of a change in voting methodology for voting sectors at MAC meetings. The two choices to be considered and voted on at this MAC meeting are: 1) to maintain the current system of each voting sector within the MAC using representational voting; or 2) to move to a method that allows each voting sector the option of using either a direct voting method or a representational voting method. After discussion among the OMS Board of Directors, it was decided that no specific direction would be given to the OMS MAC members on their votes on this issue at the July 16 meeting. The following motion was then moved and seconded regarding the practice of OMS representatives voting as members of the MAC in the future: "to leave the OMS voting process as is at MISO Advisory Committee meetings, by having representative voting until such time the Board of Directors decides to change that method." The motion was approved

Agenda Item 6, Other Business

The following motion was moved and seconded: "that each OMS state with a representative on the MISO Advisory Committee be allowed to spend up to \$500 each in the month of July 2003 for reimbursement of travel expenses to the MISO Advisory Committee at MISO." The motion was approved.

It was determined that discussion of all other agenda items posted for this meeting would be postponed until the next OMS Board of Directors meeting. The next Board of Directors meeting is scheduled for August 14, 2003 at 2:00 central standard time.

Commissioner Wefald adjourned the meeting at approximately 2:10.

MISO ADVISORY PROCESS– ROLE OF STATE COMMISSION REPRESENTATIVES

BACKGROUND

The Advisory Committee of the Midwest ISO (MISO) makes recommendations and provides advice to MISO management and the Board of Directors. From the Transmission Owners Agreement, which has been approved at FERC, it is clear that it is advice, and there is no obligation that the advice be taken, nor is any action taken in the Advisory Committee process binding on any state commission. When the MISO Transmission Owners Agreement was first adopted, two seats were designated for state regulatory commissions on the Advisory Committee.

The “original” MISO states developed a two-year rotational process for filling the two Advisory Committee seats designated for state regulators. The ordering for that rotational process among the “original” MISO states was as follows: Ohio, Indiana, Michigan, Kentucky, Illinois, Missouri, and Wisconsin. The rotational process provided for each “original” MISO state to provide two years of service on the Advisory Committee with one year as the “second seat” and a second year as the “lead seat” according to the ordering list above. In accordance with this process, Illinois is the “lead state” in 2003 and Missouri holds the “second seat.” If the process is retained, Missouri will ascend to the “lead state” in 2004 with Wisconsin taking the “second seat” in 2004 and ascending to the “lead state” in 2005.

When MISO acquired the MAPP facilities, a designated MAPP slot was added to each major sector on the Advisory Committee, including the state regulator sector. In 2003, Iowa is serving as the MAPP state commission representative. A process for selecting the MAPP state representative for the Advisory Committee in 2004 and subsequent years is not currently specified. Similarly, a process for participation on the Advisory Committee by “non-original,” non-MAPP states into which MISO may have expanded is currently not specified.

In summary, the states that have served as representatives on the Advisory Committee so far have been Ohio, Indiana, Michigan, Kentucky, Illinois, Missouri (all

pursuant to the “original” MISO state rotational process) and Iowa (as the MAPP state representative).

In June 2003, the Organization of MISO States (“OMS”) was chartered to promote the public interest and social welfare by providing a means for MISO States to act in concert, when deemed to be in the common interest of their affected publics and to coordinate electricity transmission issues relating to pricing, market monitoring, generation and transmission needs, and for general coordination with the Federal Energy Regulatory Commission (“FERC”) and MISO on issues of mutual concern. Section V.4.b of the OMS Bylaws provides that the Vice President of the OMS shall serve as the lead state representative on the MISO Advisory Committee, and Section V.4.c provides that the Secretary of the OMS shall serve as a member of the MISO Advisory Committee. Section VII of the OMS Bylaws provides that “any other Member selected to serve on the MISO Advisory Committee shall be named to the OMS Executive Committee. Section IV .8 of the OMS Bylaws specifies the process for developing OMS positions on policy issues and for the issuing OMS “issue statements” on behalf of MISO states.

As the OMS gains staff and operating capabilities, it will be expected to perform many of the coordinating and information functions described below. The roles of state commission representatives, particularly the staff coordinator, are expected to evolve with the maturation of the OMS.

The MISO has formed a Committee Restructuring Working Group (CRWG) that has been assigned the task of studying MISO’s entire committee structure. The stakeholder advisory committee structure warrants particular attention since it has become unwieldy due to numerous membership additions. The CRWG is scheduled to make its initial recommendations for Advisory Committee structure to the Advisory Committee in July or August, 2003. One proposal being considered would result in the

state commissions being allocated two (rather than 3) seats in a potential new streamlined Advisory Committee. If the Advisory Committee makes changes to its structure or voting processes, this document concerning the role of state commission representatives may require revisiting. Regardless of which (and how many) state representatives are ultimately designated for the MISO Advisory Committee and regardless of the Advisory Committee voting process, all MISO states are expected and encouraged to participate to the extent their resources will allow and have their voices fully heard at MISO Committee and Subcommittee meetings.

ROLE OF ALL DESIGNATED STATE COMMISSION REPRESENTATIVES

Each designated state commission representative is expected to serve as a representative of all MISO states in a manner consistent with representative democracy. To the extent that voting occurs on the Advisory Committee, each state commission representative is expected to be cognizant that its vote represents the collective thinking of the state commissions as whole, not the position of the individual state.

ROLE OF THE LEAD STATE

The role of the lead state has been to commit a designated Commissioner, staff and facilitation resources (conference calls, faxes, etc.) to serve as a representative of all MISO states in a manner consistent with representative democracy. Further, the lead state is expected to keep the other states informed on matters of specific and general interest, to provide an educational function and to act as a catalyst for joint state review and action on issues related to MISO. Among the expectations of lead states is the commitment to undertake the following responsibilities:

1. **Designated Commissioner.** Designate a commissioner to be the primary representative of the MISO state commissions who is expected to attend key MISO meetings including the monthly Advisory Committee meetings. When this commissioner (who is also the OMS Vice-President) cannot personally attend a meeting, the expectation is that s/he will take responsibility to find a substitute who has been closely following the developments of state positions on MISO issues. In order to maintain the significant state role effort should be made to have a state commissioner

available to represent the states. Another commissioner from the lead state or one from the other states holding Advisory Committee positions should be timely notified and secured in the event the lead state commissioner develops a conflict and is unable to attend. The substitute could also be a commissioner from another state that has been actively participating in MISO activities. Effort should be used to have commissioner level representation, however, in the event a commissioner is not available, the Staff Coordinator described below or another member of the lead commission's staff, or a staff member from another state commission may represent the state commissions. (It should be noted that there is an expectation among currently active state commissions that the designated commissioner will personally attend at least six of the twelve monthly Advisory Committee meetings).

The designated commissioner is expected to devote sufficient time to keeping up regular personal contact with other state commissioners and key staff members through personal calls and electronic communications as well as moderating and leading discussions in conference calls or video conferences open to all interested MISO state commissions. Inclusiveness and open communications is the preferred mode.

2. **Staff Coordinator.** Designate one or more lead staff contacts who will be expected to attend the Advisory Committee, Policy Subcommittee and other major meetings of particular interest to a majority of state commissions. Other expectations of the Staff Coordinator include: (a) assure regular and reciprocal communications with all interested state commissions by using and maintaining a regularly updated distribution list of state commissioners and staff members; (b) work with the OMS committees and work groups to initiate and coordinate joint issue review teams, drafting of joint comments and filings at FERC or other federal agencies, as appropriate; (c) attempt to coordinate the attendance of other commission staff at meetings of critical working groups and task forces, and information-sharing related thereto; (d) prepare, or coordinate preparation of, summaries of MISO Advisory Committee meetings; (e) notify other states of anticipated MISO filings and, if possible, prepare a brief synopsis of the issue and its importance to the states; (f) work with the OMS committee leadership to coordinate an effort for cooperative sharing of the workload related to MISO activities by all MISO state commissions.
3. **Legal Resources.** Experience has shown that the state commissions are most effective when they can speak with one

voice in communications to the MISO Board and, especially, to the FERC. While this may not always be possible, it is a worthy goal to pursue and the lead state plays a critical role in promoting unified or joint filings on key issues. It is expected that the MISO state commissions will look to the lead state to coordinate joint comments of the MISO states on FERC filings where possible. The lead state may arrange with the other MISO states a cost-sharing or labor-sharing method for securing the necessary legal representation if required. The OMS Executive Committee may retain legal counsel for interventions before federal regulatory agencies and related judicial proceedings pursuant to authorization of the OMS Board of Directors.

4. **Information Dissemination.** The lead state should make all reasonable efforts to ensure that all participating commissions have the same information base to work from in developing positions on MISO-related issues. This greatly increases the likelihood of developing a consensus position on issues. It also reduces potential acrimony between states that find themselves taking opposing policy positions. The lead state should also attempt to identify those issues that are likely to be important to the states and attempt to arrange with MISO (or others as appropriate) for educational programs to foster a broader understanding of the issues. All state commissions are encouraged to actively participate in the various MISO working groups and meetings.
5. **Voting.** When there is an opportunity to cast a vote at an Advisory Committee meeting, each authorized state commission voting representative should be cognizant that its vote represents the collective thinking of the MISO state commissions, to the extent possible, not the position of the individual state. Where time allows, the lead state should convene a conference call/meeting to discuss the issue in question with the other MISO state commissions in an attempt to reach consensus. When votes come up unexpectedly, and the Advisory Committee is unwilling to defer the vote to allow for the explicit development of a consensus position among state commissions, the lead state, in concert with the other state commission staff and Commissioners who are present at that given Advisory Committee meeting, can vote accordingly. However, in cases where a consensus position cannot be reached, or reasonably extrapolated, the preferred practice has been for the state commission representative to abstain from voting.
6. **Negotiations.** In the event that a state commission representative is asked to participate in negotiations with MISO or other MISO

stakeholder groups, it is incumbent upon the state commission representative to establish the following understanding with the negotiating parties prior to the start of the negotiations: State commission representatives must be free to share the details of the negotiations, including confidential negotiations, with the other MISO state commissions. If necessary, formal confidentiality requirements can be complied with. The state commission representative will make every effort to inform the other MISO state commissions on the progress of the negotiations in the manner agreed upon by those state commissions.

7. **Participation in MISO Policy Subcommittee and MISO Working Group meetings.**
The lead state should be responsible for working with other state commissions in an attempt to develop a consensus viewpoint to the extent possible. All state commission staff and Commissioners attending meetings of the Policy Subcommittee or the MISO working groups have an opportunity under the rules of those committees to express their views and vote consistent with direction given by their home state commission. During issue discussion in these forums, the positions of other state commissions not present could be aired to the extent they are known.
8. **Liaison to MISO Staff and Stakeholder Groups.** The Lead State may also take the initiative to work with key MISO staff and stakeholder representatives on developing issues, or respond to requests to do so from other MISO state commissions. To the extent this occurs, lead state commissions should keep other states commissions apprised of new developments and opportunities for cooperative or complementary efforts with these groups.
9. **Other Duties.** The designated Commissioner from the lead state may be asked by the MISO Board or the OMS to make reports to the Board of Directors, to arrange meetings with the Board of Directors, or to represent the state interests in meetings with the Board and MISO management.